

Yeahka 移卡

YEAHKA LIMITED

移卡有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9923

Global Offering



Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



A CITIC Securities
Company

NOMURA



農銀國際
ABC INTERNATIONAL

Joint Bookrunners and Joint Lead Managers



海通國際
HAITONG

CMS



招商證券國際

ICBC



工銀國際



富途證券

Joint Lead Managers



中國銀河國際
CHINA GALAXY INTERNATIONAL

uSMART
友信證券

IMPORTANT

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

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	98,724,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	9,872,800 Shares (subject to adjustment)
Number of International Offer Shares	:	88,851,200 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$16.64 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	US\$0.000025 per Share
Stock code	:	9923

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

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

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on or about Monday, May 25, 2020 and, in any event, not later than Wednesday, May 27, 2020. The Offer Price will be not more than HK\$16.64 per Offer Share and is currently expected to be not less than HK\$12.64 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$16.64 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK\$16.64 per Offer Share. If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on or before Wednesday, May 27, 2020 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Hong Kong Underwriters), with the consent of our Company, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) no later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "Risk Factors." The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain events occur prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting — Underwriting Agreement and Expenses — Hong Kong Public Offering — Grounds for Termination." It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

May 20, 2020

EXPECTED TIMETABLE⁽¹⁾

Latest time for completing electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Monday, May 25, 2020
Application lists open ⁽³⁾	11:45 a.m. on Monday, May 25, 2020
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Monday, May 25, 2020
Latest time for completing payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, May 25, 2020
Latest time for giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Monday, May 25, 2020
Application lists close ⁽³⁾	12:00 noon on Monday, May 25, 2020
Expected Price Determination Date ⁽⁵⁾	Monday, May 25, 2020

Announcement of:

- (1) the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on
- (2) the results of allocations in the Hong Kong Public Offering (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels as described in "How to Apply for Hong Kong Offer Shares — 11. Publication of Results"
- (3) the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.yeahka.com⁽⁶⁾ from

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Hong Kong Public

Offering will be available at

www.iporesults.com.hk

(alternatively: English <https://www.eipo.com.hk/en/Allotment>;

Chinese <https://www.eipo.com.hk/zh-hk/Allotment>)

with a "search by ID" function from Friday, May 29, 2020

Dispatch of Share certificates or deposit

of the Share certificates into CCASS

in respect of wholly or partially successful

applications pursuant to the Hong Kong

Public Offering on or before⁽⁷⁾⁽⁹⁾ Friday, May 29, 2020

Dispatch of refund cheques and e-Refund

payment instructions in respect of wholly

or partially successful applications (if applicable)

or wholly or partially unsuccessful applications

pursuant to the Hong Kong Public

Offering on or before⁽⁸⁾⁽⁹⁾ Friday, May 29, 2020

Dealings in the Shares on the

Stock Exchange expected to commence on Monday, June 1, 2020

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, May 25, 2020, the application lists will not open or close on that day. Please see "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists".
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should see "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving **Electronic application instructions** to HKSCC via CCASS".
- (5) The Price Determination Date is expected to be on or around Monday, May 25, 2020 and, in any event, on or before Wednesday, May 27, 2020. If, for any reason, our Company and the Joint Global Coordinators (on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Wednesday, May 27, 2020, the Global Offering will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website forms part of this prospectus.
- (7) Share certificates will only become valid at 8:00 a.m. on Monday, June 1, 2020 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting — Underwriting Agreement and Expenses — Hong Kong Public Offering — Grounds for termination" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.
- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number invalidates or delays encashment of the refund cheque.

EXPECTED TIMETABLE⁽¹⁾

- (9) Applicants who have applied on **WHITE** Application Forms or through the **White Form eIPO** service for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, May 29, 2020 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection must not authorize any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend by their authorized representatives bearing a letter of authorization from their corporation stamped with the company's chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to their or the designated CCASS Participant's stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should see "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies — Personal Collection — (iv) If you apply via **Electronic application instructions** to HKSCC".

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to that bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk. Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' own risk, to the addresses specified in the relevant applications on or before Friday, May 29, 2020.

Further information is set out in "How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies".

The above expected timetable is a summary only. You should see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, representatives, affiliates, employees, agents or any other person or party involved in the Global Offering. Information contained in our website, located at www.yeahka.com, does not form part of this prospectus.

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SUMMARY

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

OUR MISSION

Our mission is to continuously create value for merchants and consumers.

OVERVIEW

We are a leading payment-based technology platform in China providing payment and business services to merchants and consumers. Payment is at the heart of commerce and the foundation of our technology. Every payment creates an opportunity for us to better understand our customers, and provide them with continuously improving products, services and technologies. We acquire customers via the provision of payment services and offer technology-enabled business services to them. Our value proposition is a cohesive ecosystem that enables seamless, convenient and reliable payment transactions between merchants and consumers, complemented with a rich variety of value-added services. Our platform provides merchants with one-stop access to a wide variety of payment methods and channels, allowing consumers to pay with their preferred methods and channels, thus enhancing the transaction experience. Currently, our QR code payment services support payments from over 500 issuer's mobile apps, including WeChat Pay, Alipay or Mobile QuickPass, covering most of the e-wallets in China. Leveraging our vast customer base and data assets accumulated from payment services, we further offer a rich variety of technology-enabled business services, including (i) merchant SaaS products, which help customers improve their operational efficiency, (ii) marketing services, allowing customers to effectively reach their target markets, and (iii) fintech services, which cater to customers' financial needs.

We are uniquely positioned in the third-party payment value chain, and operate in a sub-market that accounts for approximately 17.5% of the third-party payment market in 2019. We, as an independent payment service provider, with extensive offline distribution networks and merchant customer base, focus on enabling merchants to accept payments from multiple issuers. By contrast, affiliated payment service providers, such as WeChat Pay, Alipay and China UnionPay Merchant Services, despite having significant market share in the third-party payment service market, either (i) only accept payments from their own e-wallets and process substantial amount of GPV from online merchants, or (ii) primarily focus on transactions from their own issuing network. In particular, while WeChat Pay and Alipay focus on the consumer side of payment transactions, and China UnionPay Merchant Services focuses on transactions made via co-issued bank cards of UnionPay, its holding company, we focus on enabling merchants to accept payments from multiple issuers as an independent party.

On the other hand, as compared with other independent payment service providers, we have outstanding servicing capabilities as well as the ability to offer technology-enabled business services as an integral part of our service offerings, creating a self-reinforcing ecosystem that empowers digital transformation. We have broad partnership with over 8,000 partners in our distribution channels, namely independent sales agents, sales partners, and SaaS partners. As of the Latest Practicable Date, our distribution network had covered 30 provinces and municipalities and over 300 cities in China. Leveraging our robust technology infrastructure, we have developed in-house our platform which securely processes a massive volume of transactions and achieves a high level of automation and stability. Further, we are a leader in the China third-party payment service industry, and were among the first licensed third-party payment service providers to launch integrated QR code payment services in China. We have also accumulated a sizable existing payment customer base. Our extensive distribution and service network, IT infrastructure, coupled with our ability to offer cohesive technology-enabled business services, create high switching costs for existing merchant customers to leave our service ecosystem.

SUMMARY

Having launched our technology-enabled business services in 2015, we are a pioneer among independent third-party payment service providers in offering value-added services to customers. According to Oliver Wyman, as of December 31, 2019, the vast majority of independent third-party payment service providers did not provide value-added services in addition to their payment services. Among those that provided such services, their services either (i) were less integrated with payment services, e.g. most of their value-added service customers were not converted from payment services, or (ii) contributed a much less proportion of their total revenue. Further, led by a management team with strong background in technology and payment, we are able to integrate technology into our service portfolio, cater to merchant customers' needs for digital solutions in operations and provide them with services beyond payment. We have self-developed or co-developed most of our technology-enabled business services, hence allowing us more control over the cohesiveness of our services, and to better target at specific business and operation needs outside the payment realm.

As a result of the cohesiveness among our services, over 90% of our business service customers as of December 31, 2019 were converted from payment service customers. Driven by accelerated conversion, the number of our technology-enabled business service customers grew from approximately 4,000 as of December 31, 2017 to approximately 80,000 as of December 31, 2018, and further to approximately 431,000 as of December 31, 2019. As a result, in 2017, 2018 and 2019, we generated 1.7%, 2.5% and 7.8% of our revenue, and 4.0%, 8.4% and 18.1% of our gross profit from our technology-enabled business services, respectively, representing a CAGR of 114.2% and 112.7%, respectively. For example, our ability to integrate technology-enabled business services into payment is enshrined in our development of Smart Shopkeeper, an intelligent ordering machine which is used in conjunction with our customized restaurant management apps to offer integrated business and payment solutions to customers. At the outset, we conducted extensive underlying research to build in comprehensive scenario-specific functionalities, including smart ordering, smart financial statement, smart payment and smart marketing into Smart Shopkeeper. Also, we operate a WeChat public account for Smart Shopkeeper to interact with merchant user communities and empower them by sharing insights and training materials. As of the Latest Practicable Date, the Smart Shopkeeper was the bestselling cash registers on Tmall, a leading ecommerce marketplace in China, scoring over 30% higher than industry average in terms of customer satisfaction.

As of December 31, 2019, we were one of the only 16 payment service providers that were granted both the national bank card acquiring license and mobile phone payment license. We have one of the largest third-party payment service customer bases in China, and it is growing rapidly. According to Oliver Wyman, we are the second largest non-bank independent QR code payment service provider in China, with approximately 14.0% market share in terms of transaction count in 2019, and ranked 10th among third-party payment service providers in China, with approximately 1.3% market share in terms of transaction volume in 2019. For the year ended December 31, 2019, we have recorded a GPV (gross payment volume) of RMB1,500.3 billion, growing 92.6% from the same period in 2018, surpassing China's consumer-to-business payment market's year-on-year growth rate of 16.3% in 2019. As of December 31, 2019, our active payment service customers amounted to 5.3 million, increasing from 3.8 million as of December 31, 2018. Based on the unique user identification recorded in our system, each representing a consumer account that has made payments via our platform (multiple transactions made by a single account will only be counted as one consumer), in 2019, we served approximately 367.8 million consumers via our payment services, growing from approximately 141.6 million in 2018. Leveraging our rapidly expanding payment service customer base, we cross-sell our technology-enabled business services at minimal incremental costs. A growing number of our payment service customers also become customers of our technology-enabled business services.

Leveraging our integrated technology platform, we offer multiple products and services, including (i) one-stop payment services and (ii) technology-enabled business services. We experienced significant growth during the Track Record Period. For the year ended December 31, 2017, 2018 and 2019, our revenue increased from RMB304.7 million to RMB992.9 million and further to RMB2,258.0 million, representing a CAGR of 172.2%. Our GPV increased from approximately RMB232.8 billion in 2017 to RMB778.9 billion in 2018, and further to RMB1,500.3 billion in 2019, with a CAGR of 153.8%.

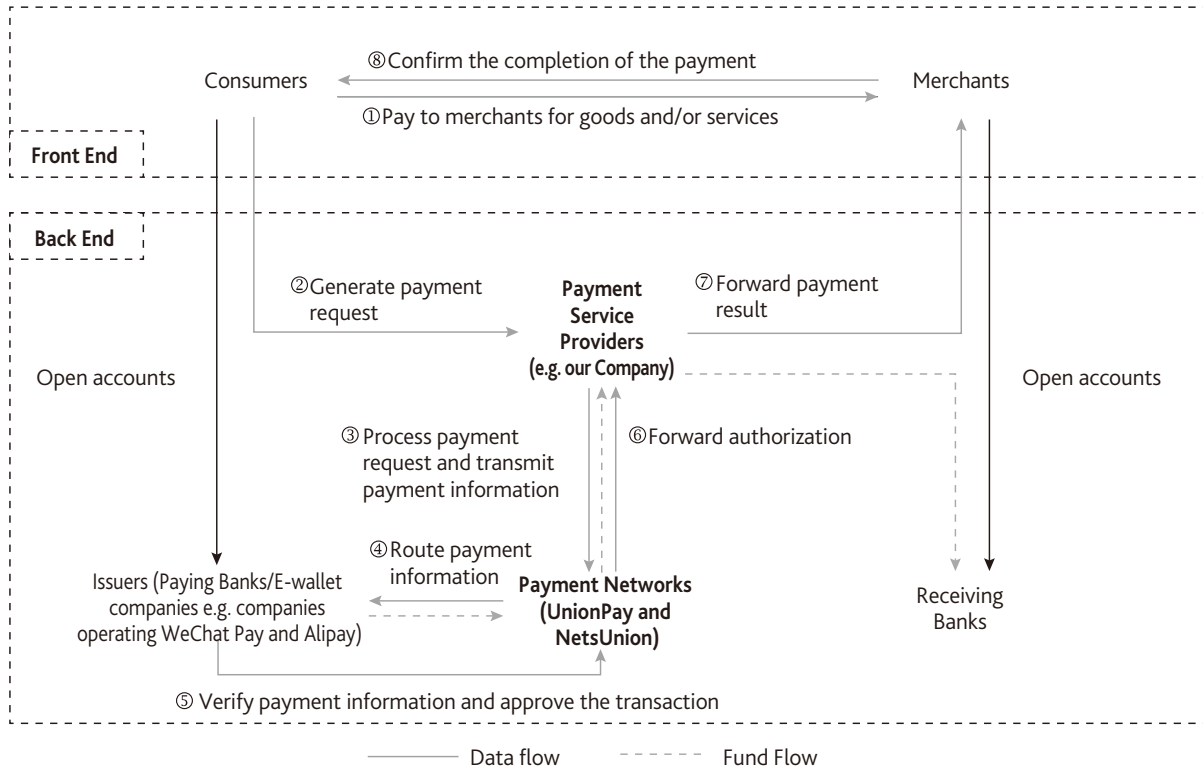
SUMMARY

OUR BUSINESS

We started our payment services business in 2012, offering seamless, convenient and reliable payment services to micro and small merchants, connecting them with millions of consumers. In addition to rapid growth in our payment services business, our business expands beyond payments. The size of our payment services business enables us to develop a deep understanding of customers' needs, and build a cohesive ecosystem. As such, we have extended our product and service offerings to technology-enabled business services which consist of merchant SaaS products, marketing services and fintech services. We have developed an end-to-end ecosystem which facilitates transactions between merchants and consumers and creates value for them. Our principal business lines include:

- *One-stop payment services*, which consist of (i) app-based payment services where we enable our customers to accept payments using our mobile apps, or when consumers pay our merchant customers through third-party e-wallets, and (ii) traditional payment services, where we enable customers to accept non-cash payments that do not belong to app-based payments, including accepting card payments with traditional payment terminals; and
- *Technology-enabled business services*, which consist of a rich variety of value-added services, including (i) merchant SaaS products, which help customers improve their operational efficiency, (ii) marketing services, allowing customers to effectively reach their target markets, and (iii) fintech services, which cater to our customers' financial needs.

Payment service providers are mandatory for all non-cash payment transactions, and play a central role in collecting, processing and transmitting payment information to enable transactions. Payment service providers can be further categorized into (i) affiliated payment service providers, such as WeChat Pay and Alipay, which typically only accept payments made via their affiliated issuers and (ii) independent payment service providers, such as us, which typically have the ability to accept payments made via multiple issuers. We act as an independent payment service provider and play an essential role in the third-party payment value chain. The diagram below illustrates the payment process for our payment services and the role of each participant involved:



SUMMARY

Note: We also pay commission to distribution channels, including our sales agents for promotion of our payment services. The commission rate typically ranges from 50% to 70% of our revenue received, subject to the prevalent policy.

Payment Process:

- (1) The process starts when a consumer initiates a payment to a merchant to purchase goods and/or services that the merchant offers.
- (2) The consumer generates a payment request by (i) swiping, tapping or inserting his or her bank card on our payment terminal or (ii) scanning the QR code the merchant generated with our devices, or having merchants scan the consumer's mobile barcode with our devices.
- (3) We as payment service provider collect and process the consumer's payment request, and then transmit the payment information to payment networks.
- (4) Payment networks route the payment information to the issuers. UnionPay acts as both the bank card network and the online network for QR code payment in China, while NetsUnion acts as the online network for QR code payment business related to a bank account undertaken by non-bank payment institutions. Payment networks' responsibilities typically include connecting and switching transactions between payment service providers and issuers and enabling payment authorization. From each payment we process, a payment network interchange fee is directly deducted. See "Business — Our Business — One-stop Payment Services — Pricing."
- (5) The issuer verifies the payment information and sends a notification of approval for the transaction. Once the verification and approval of the payment are completed, the issuer will transfer the fund to payment networks. Issuers refer to (i) commercial banks that issue credit or debit cards to consumers and authorize payment transactions after conducting necessary checks on consumers' identity and compliance issues and (ii) e-wallet companies which provide consumers with e-wallets to which consumers' bank accounts and credit cards are linked. Typical e-wallet companies include Tencent (operating WeChat Pay) and Ant Financial (operating Alipay).
- (6) The payment network forwards the transaction feedback and transfers the fund to us for further settlement of the payment.
- (7) We send the payment result to the merchant and settle the fund received from the payment network net of our service fee to the merchant's account in the receiving bank.
- (8) The merchant confirms receipt of the payment.

Leveraging our technology platform and our unique position as the nexus between merchants and consumers, we have built an ecosystem which facilitates payment transactions between merchants and consumers, and creates a platform for the provision of technology-enabled business services.

SUMMARY

The following table summarizes our monetization model of each type of business:

Our Business	Our Role	Our Source of Revenue
One-stop Payment Services		
App-based payment services	<ul style="list-style-type: none"> To provide customers with payment services 	<ul style="list-style-type: none"> Service fees from customers, which typically equal to an agreed percentage of the GPV, net of the interchange fee for payment networks
Traditional payment services	<ul style="list-style-type: none"> Same as above 	<ul style="list-style-type: none"> Same as above
Technology-enabled Business Services		
Merchant SaaS products	<ul style="list-style-type: none"> To offer SaaS products to customers 	<ul style="list-style-type: none"> Sales revenue and subscription fees from customers
Marketing services	<ul style="list-style-type: none"> To provide (i) a payment-based online advertising platform on which payment service customers and other customers can promote their businesses to consumers utilizing intelligent marketing tools and marketing solutions available on the platform; and (ii) off-line marketing services to merchant service providers 	<ul style="list-style-type: none"> Commissions agreed with customers
Fintech services	<ul style="list-style-type: none"> To provide customers with access to a variety of financial products, including loan facilitation services, entrusted loans on our technology platform and insurance referral services 	<ul style="list-style-type: none"> (i) Service fees from financial institution partners for loan facilitation services, (ii) interest income received from borrowers for entrusted loans and (iii) technology service income charged to the insurance companies we cooperated with for insurance referral services

We consider payment as the fulcrum to leverage our three key resources, namely, (i) our long and stable relationship with customers, (ii) vast customer base, massive data assets and customers' adoption of our payment devices, and (iii) our technology capabilities, and tap into the broader markets. Acting as a gateway, payment services enable us to acquire customers at minimal incremental costs for our technology-enabled business services. A growing number of our payment service customers also use our business services, which further generate more insights and scenarios for upselling our services, leading to a virtuous cycle.

SUMMARY

KEY OPERATING DATA

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

	For the year ended/ As of December 31,		
	2017	2018	2019
One-stop Payment Services			
GPV (RMB in million)	232,840	778,896	1,500,334
App-based payment services	69,825	326,034	902,734
Traditional payment services	163,015	452,863	597,600
Average Fee Rate (bps)	12.9	12.4	13.9
App-based payment services	20.8	16.4	17.3
Traditional payment services	9.5	9.5	8.8
Number of Active Payment Service			
Customers ¹ (thousand)	1,624	3,791	5,278
Customer Acquisition Cost ² (RMB)	34	20	17
Commission paid for newly acquired customers ³ (RMB in million)	115.0	404.7	514.0
Commission rate for newly acquired customers ⁴ (%)	58.3	71.4	70.3
Technology-enabled Business Services			
Number of Business Service Customers (thousand)	4	80	431

Notes:

- (1) We define active payment service customers as merchants who use our services for an aggregated transaction amount of over RMB1,000 for the past 12 months.
- (2) Customer acquisition cost is calculated as selling expenses during the relevant year divided by the number of newly activated customers during the relevant year.
- (3) Commission paid for newly acquired customers represents the commission paid to our distribution channels for the GPV generated by customers they acquired during the relevant year.
- (4) Commission rate for newly acquired customers, calculated as commission paid for newly acquired customers as a percentage of revenue from one-stop payment services.

During the Track Record Period, our GPV and number of active payment service customer increased significantly, mainly due to continuous improvement of our payment service platform and optimized distribution channel management. Customer acquisition cost decreased as a result of the economy of scale resulted from enlarged customer base. Rapid growth in the number of our business service customer was mainly due to accelerated customer conversion and monetization from active payment service customers. The average fee rate decreased during the Track Record Period but has stabilized in 2019, as the fee rate has become largely market driven since September 2016, see "Regulatory Overview — Regulations on Payment Services of Non-financial Institutions — Pricing Mechanism of Bankcard Transaction Fee."

SUMMARY

OUR CUSTOMERS

Leveraging our technology platform, we connect merchants and consumers in a diverse set of industries including retail, wholesale, and food and beverage industry. We consider both merchants and consumers essential components of our customer base. Typically, customers for our payment services and merchant SaaS products comprise of merchants; customers for our marketing services and fintech services comprise of merchants, consumers, financial institutions and merchant service providers. We primarily serve micro and small merchants from a wide range of industries across China. Our five largest customers together accounted for less than 5.0% of our total revenue for each of the years ended December 31, 2017, 2018 and 2019. Our payment service customer base grew rapidly during the Track Record Period. As of December 31, 2017, 2018 and 2019, the number of active payment service customers was 1.6 million, 3.8 million and 5.3 million, respectively, representing a CAGR of 80.3%. As of December 31, 2019, we had approximately 11.0 million registered payment service customers.

SALES AND MARKETING

We adopt various sales channels to promote our business, including through distribution channels and direct marketing. Our distribution channels include independent third party sales agents who help us reach millions of micro and small merchants across China, sales partners in which we hold minority interest, and SaaS partners which are software companies that offer merchant SaaS products that are complementary to ours. Our in-house marketing department is responsible for coordinating our direct marketing efforts.

SUPPLIERS AND BUSINESS PARTNERS

Our suppliers and business partners include (i) payment terminal suppliers, which supply us with payment terminals and accessories, (ii) UnionPay and NetsUnion, which primarily provides us with clearing and switch services and access to payment gateways, as well as (iii) financial institutions which primarily provide us with access to their payment gateways and collaborate with us to provide fintech services.

OUR COMPETITIVE STRENGTHS

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

- Leading payment-based technology platform for customers.
- Cohesive and innovative service portfolio creating a self-reinforcing ecosystem that empowers digital transformation.
- Rapidly growing customer base built upon strong distribution network with scalable go-to-market approach.
- A trusted platform with reliable and robust technology infrastructure driving high operating performance.
- Dynamic and technology-driven risk management.
- Visionary and seasoned management, with proven track record and strong shareholder support.

SUMMARY

OUR STRATEGIES

We will pursue the following strategies to further expand our business:

- Expand customer reach via payment services.
- Enhance and expand technology-enabled business services.
- Continue to invest in our infrastructure, technologies, analytics and artificial intelligence.
- Recruit, cultivate and retain talents.

RISK FACTORS

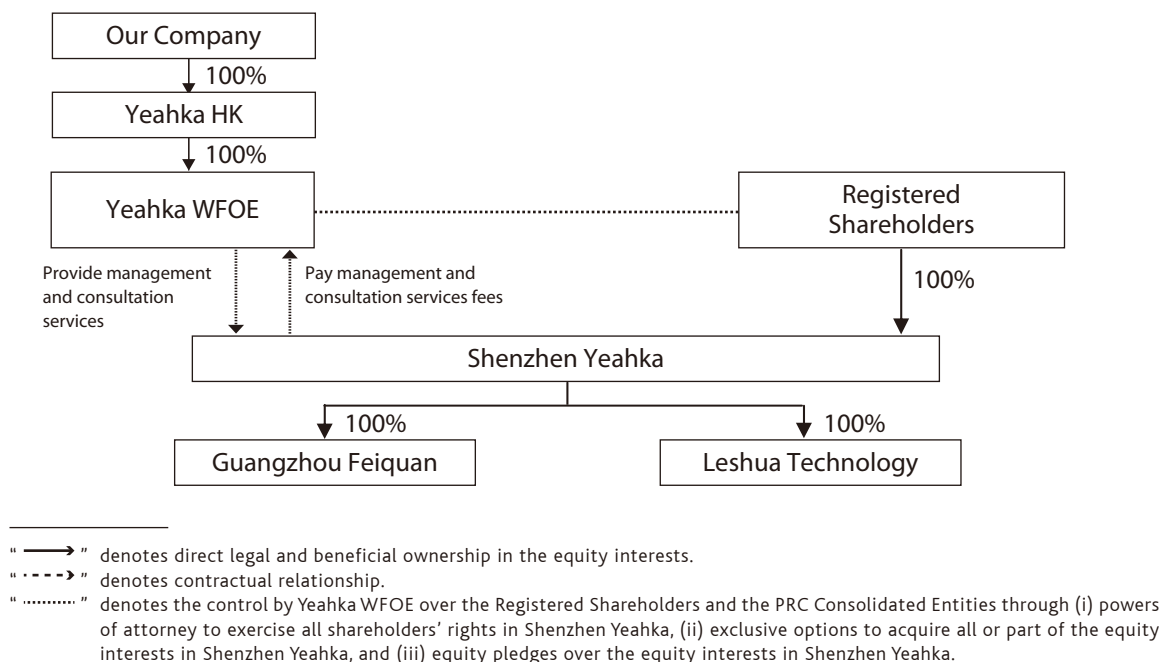
There are certain risks relating to investment in the Offer Shares, among which the relatively material risks include the followings: (i) our success depends on the ability to develop products and services to address the rapidly evolving market for one-stop payment services and technology-enabled business services; (ii) market, economic and other conditions in China may adversely affect the demand for our products and services; (iii) the outbreak of COVID-19 in China may adversely affect our business operations and financial results; (iv) we are subject to extensive regulations in the payment and business services industry. Non-compliance with or changes to the regulations or licensing regimes may materially affect our business operations and financial results; (v) failure to protect transaction information and data from continually evolving cybersecurity risks could affect our reputation and may expose us to penalties, liabilities and legal claims; (vi) we face risks relating to our acquisitions, investments and alliances, which could have a material adverse effect on our financial condition and results of operations; (vii) significant impairment to goodwill could materially impact our financial position and results of our operations; (viii) if we fail to compete effectively, we may lose customers, which could materially and adversely affect our business, financial condition and results of operations; (ix) we have experienced significant growth during the Track Record Period. Our historical growth rate is not necessarily indicative of our future performance. We may not be able to implement our growth strategies or manage our growth effectively; and (x) we recorded negative operating cash flows for the year ended December 31, 2017. If, in the future, we are unable to generate sufficient cash flows from our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity and financial condition will be materially and adversely affected.

CONTRACTUAL ARRANGEMENTS

The operation of our PRC Consolidated Entities are subject to various foreign ownership restrictions under the PRC laws and regulations. We therefore do not own any equity interest in our PRC Consolidated Entities. In order for our Company, as a foreign investor, to maintain its business operations while complying with the PRC laws and regulations mentioned above, we have adopted the Contractual Arrangements to maintain and exercise control over the operations of Shenzhen Yeahka. The Contractual Arrangements allowed our Company to exercise control over the business operation of Shenzhen Yeahka and enjoy all the economic interests derived therefrom. See "Contractual Arrangements."

SUMMARY

The following simplified diagram illustrates the flow of economic benefits from Shenzhen Yeahka to our Group stipulated under the Contractual Arrangements.



PRE-IPO INVESTMENTS AND OUR CONTROLLING SHAREHOLDERS

Since the incorporation of our Company, we have completed three rounds of Pre-IPO Investments, with the final round completed in 2019. THL U, IVP Funds, Recruit Holdings, Greycroft Growth, L.P., e.ventures Growth, L.P., Adams Street Funds, Industry Ventures, LT SPV, Baopu, IVP Annex I LLC and TheOne are our Pre-IPO Investors. See "History, Reorganization and Corporate Structure — Pre-IPO Investments" for details of our pre-IPO investments.

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account Shares which may be issued under the RSU Scheme), Mr. Liu, through Creative Brocade International and Creative Brocade, will hold and be entitled to exercise in general meetings voting rights attached to Shares representing approximately 39.95% of the issued share capital of our Company. Creative Brocade International is controlled by Mr. Liu as it is owned as to (i) 99.9% by Brocade Creation, which is wholly-owned by Liu FT Nominee, the holding vehicle used by Liu FT Trustee (the trustee of the Liu Family Trust); and (ii) 0.1% by Creative Brocade, which is wholly-owned by Mr. Liu. The Liu Family Trust is a discretionary trust established by Mr. Liu (as the settlor) and the discretionary beneficiary of which includes Mr. Liu. Accordingly, Mr. Liu, Creative Brocade International, Creative Brocade and Brocade Creation will continue to be our Controlling Shareholders under the Listing Rules.

SUMMARY OF FINANCIAL INFORMATION

The summary historical consolidated financial statements sets forth below have been derived from, and should be read in conjunction with our audited consolidated financial statements including the accompanying notes, set out in the Accountant's Report in Appendix I, as well as the information set forth in "Financial Information." Our audited consolidated financial information has been prepared in accordance with IFRS.

SUMMARY

We recorded significant increase in revenue during the Track Record Period as a result of the rapid growth of both our one-stop payment services and technology-enabled business services. We also recorded an increase in gross profit during the Track Record Period, which was attributable to the continuous growth of our payment service business, synergy among our business lines and increasing management efficiency.

As of December 31, 2019, we had accumulated losses of RMB815.9 million, primarily due to the significant fair value changes of the Preferred Shares charged as an expense in the income statement.

Consolidated Statements of Comprehensive Income

The following table sets forth our consolidated statements of comprehensive income in absolute amounts and as percentages of revenue for the years indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenue	304,688	100.0	992,891	100.0	2,258,019	100.0
Cost of revenue	(186,542)	(61.2)	(723,356)	(72.9)	(1,610,984)	(71.3)
Gross profit	118,146	38.8	269,535	27.1	647,035	28.7
Selling expenses	(53,567)	(17.6)	(66,581)	(6.7)	(66,869)	(3.0)
Administrative expenses	(91,467)	(30.0)	(84,053)	(8.5)	(129,564)	(5.7)
Research and development expenses	(24,250)	(8.0)	(87,121)	(8.8)	(78,400)	(3.5)
Impairment losses on financial assets	(356)	(0.1)	(1,472)	(0.1)	(27,411)	(1.2)
Other incomes	445	0.1	3,205	0.3	4,983	0.2
Other (losses)/gains — net	(1)	(0.0)	(352)	(0.0)	2,922	0.1
Operating (losses)/profits	(51,050)	(16.8)	33,161	3.3	352,696	15.6
Finance costs	(5,950)	(2.0)	(3,963)	(0.4)	(5,615)	(0.3)
Share of profits/(losses) of investments accounted for using the equity method	35	0.0	(3,943)	(0.4)	(14,521)	(0.6)
Fair value changes of convertible redeemable preferred shares	(275,712)	(90.5)	(213,216)	(21.5)	(181,521)	(8.0)
(Loss)/profit before income tax	(332,677)	(109.2)	(187,961)	(18.9)	151,039	6.7
Income tax (expenses)/credit	(9,347)	(3.1)	5,167	0.5	(66,376)	(2.9)
(Loss)/profit for the year attributable to:						
Equity holders of the Company	(342,024)	(112.3)	(182,794)	(18.4)	84,663	3.8
Non-IFRS Measure: Adjusted net (loss)/profit⁽¹⁾	(33,511)	(11.0)	39,507	4.0	301,016	13.3

Note:

(1) We define adjusted net (loss)/ profit as (loss)/profit for the year adjusted by adding (i) fair value changes of the Preferred Shares, (ii) share-based compensation expenses and (iii) listing expenses. See "Financial Information — Non-IFRS Measures and Key Financial Ratios."

Non-IFRS Measures

We adopt the adjusted net (loss)/ profit, which is not required by or presented in accordance with IFRS as an additional financial measure to supplement our consolidated financial statements. We believe that the non-IFRS measure facilitate comparisons of operating performance from period to period and company to company, by eliminating potential impacts of items that our management does not consider indicative of our operating performance. We believe that the 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.

SUMMARY

The non-IFRS measures used by us are adjusted for (i) fair value changes of the Preferred Shares, (ii) share-based compensation expenses and (iii) listing expenses. Fair value changes of the Preferred Shares are neither related to our ordinary course of business nor indicative of our ongoing core operating performance. The Preferred Shares will be automatically converted into ordinary shares upon completion of the Global Offering and we do not expect to record further gains or losses in relation to valuation changes in such instruments after the Listing. Share-based compensation expenses are non-operational expenses arising from granting share options to selected employees, the amount of which may not directly correlate with the underlying performance of our business operations. Listing expenses are one-off expenses in relation to the Global Offering. Therefore, we believe that these items should be adjusted for when calculating our adjusted net (loss)/profit in order to provide potential investors with a complete and fair understanding of our core operating results and financial performance, so that potential investors can assess our underlying core performance undistorted by items unrelated to our ordinary course of business operations, especially in (i) making period-to-period comparisons of, and assessing the profile of, our operating and financial performance, and (ii) making comparisons with other comparable companies with similar business operations.

The following table illustrates reconciliations to our adjusted net (loss)/profit from our (loss)/profit for the years indicated:

	For the year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
(Loss)/profit for the year	(342,024)	(182,794)	84,663
Add:			
Fair value changes of the Preferred Shares	275,712	213,216	181,521
Share-based compensation expenses	32,801	9,085	9,661
Listing expenses	–	–	25,171
Adjusted net (loss)/ profit	(33,511)	39,507	301,016

Revenue by Business Type

The following table sets forth our revenue by business type for the years indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenue from one-stop payment services	299,479	98.3	967,988	97.5	2,081,051	92.2
App-based payment services	145,034	47.6	536,094	54.0	1,557,677	69.0
Traditional payment services	154,445	50.7	431,894	43.5	523,374	23.2
Revenue from technology-enabled business services ..	5,209	1.7	24,903	2.5	176,968	7.8
Merchant SaaS products	1,105	0.4	1,858	0.2	14,991	0.7
Marketing services	536	0.2	2,537	0.2	109,225	4.8
Fintech services	3,568	1.1	20,508	2.1	52,752	2.3
Total Revenue	304,688	100.0	992,891	100.0	2,258,019	100.0

SUMMARY

The increase in revenue during the Track Record Period was primarily due to the rapid growth of both our one-stop payment services and technology-enabled business services.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit and gross profit margin by business type for the years indicated:

	For the year ended December 31,								
	2017			2018			2019		
	Gross profit	Gross profit margin	% of total	Gross profit	Gross profit margin	% of total	Gross profit	Gross profit margin	% of total
	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%
One-stop payment services	113,432	37.9	96.0	246,807	25.5	91.6	530,010	25.5	81.9
Technology-enabled business services	4,714	90.5	4.0	22,728	91.3	8.4	117,025	66.1	18.1
Total	118,146	38.8	100.0	269,535	27.1	100.0	647,035	28.7	100.0

The decrease in our gross profit margin during the Track Record Period was primarily attributable to the decrease in our gross profit margin from one-stop payment services as a result of (i) the increase in the commissions paid to distribution channels as we shifted from direct marketing to cooperating with distribution channels and (ii) the decrease in our service fee rate as it has become largely market-driven since September 2016.

Summary Financial Data from Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Total non-current assets	69,184	215,832	413,876
Total current assets	978,853	1,553,312	1,860,160
Total assets	1,048,037	1,769,144	2,274,036
Total non-current liabilities ⁽¹⁾	834,648	1,102,520	1,453,897
Total current liabilities ⁽²⁾	796,408	1,464,588	1,375,635
Total liabilities	1,631,056	2,567,108	2,829,532
Net current assets	182,445	88,724	484,525
Net liabilities	583,019	797,964	555,496

Notes:

(1) Non-current liabilities include the non-current portion of the Preferred Shares, which amounted to RMB792.1 million, RMB1,008.9 million and RMB1,373.4 million as of December 31, 2017, 2018 and 2019.

(2) Current liabilities include the current portion of the Preferred Shares, which amounted to RMB130.0 million, RMB170.2 million and nil as of December 31, 2017, 2018 and 2019.

As of December 31, 2017, 2018 and 2019, we had net liabilities of RMB583.0 million, RMB798.0 million and RMB555.5 million, respectively, mainly because we recognized significant liabilities from our Preferred Shares. The increase in our net liabilities from 2017 to 2018 was primarily due to the increase in the balance of the Preferred Shares as a result of the increase in valuation of our Company during the period. For key valuation assumptions used to determine the fair value of the Preferred Shares, see "Financial Information — Significant Accounting Policies and Estimates — Convertible Redeemable Preferred Shares". The Preferred Shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon completion of the Global Offering and the net liabilities position of the Company is expected to be turned into net assets after the Listing.

SUMMARY

Summary Financial Data from Consolidated Statements of Cash Flows

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

	For the year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cash (used in)/generated from operations before making adjustments for changes in working capital	(6,261)	85,085	466,529
Changes in working capital	(161)	316,315	(387,599)
Cash (used in)/generated from operations	(6,422)	401,400	78,930
Interest received	292	286	1,466
Interest paid	(5,950)	(3,963)	(5,615)
Income taxes paid	(10,294)	(27,947)	(22,232)
Net cash (used in)/generated from operating activities	(22,374)	369,776	52,549
Net cash used in investing activities	(50,352)	(122,790)	(138,732)
Net cash generated from/(used in) financing activities	299,825	(249,831)	46,724
Net increase/(decrease) in cash and cash equivalents	227,099	(2,845)	(39,459)
Cash and cash equivalents at the beginning of the year	256,372	480,521	479,839
Effects of exchange rate changes on cash and cash equivalents	(2,950)	2,163	935
Cash and cash equivalents at the end of the year	480,521	479,839	441,315

We had net cash used in operating activities for the year ended December 31, 2017, primarily due to our loss before income tax and increase in receivables from payment networks arising from our one-stop payment services. We had net cash generated from operating activities, but a net decrease in cash and cash equivalents for the year ended December 31, 2018 and 2019, primarily due to (i) the purchase of non-current assets, which are payment terminals and (ii) repurchases of Series-C Preferred Shares and ordinary shares as part of our Reorganization. See "History, Reorganization and Corporate Structure — Corporate Reorganization."

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Shares which may be issued under the RSU Scheme. We are unable to satisfy the requirements under Rule 8.05(1) of the Listing Rules, as our profit attributable to equity holders of the Company (excluding any income or loss of our Group generated by activities outside our ordinary and usual course of business) in respect of the first two years of the Track Record Period was less than HK\$30.0 million in aggregate. The application has been made on the basis that we satisfy the market capitalization/revenue/cashflow test under Rule 8.05(2) of the Listing Rules with reference to (i) our expected market capitalization at the time of Listing, which, based on the low-end of the indicative offer price range, exceeds HK\$2.0 billion; (ii) our revenue for the year ended December 31, 2019 being RMB2,258.0 million (equivalent to approximately HK\$2,467.8 million), which is over HK\$500.0 million; and (iii) our aggregate net cash generated from operating activities for the three years ended December 31, 2019 being RMB400.0 million (equivalent to approximately HK\$437.2 million), which is over HK\$100.0 million.

SUMMARY

DIVIDENDS

We are a holding company incorporated under the laws of the Cayman Islands. Any dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our memorandum of association and our articles of association and the Cayman Companies Law. Our shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman legal advisers, dividend may be declared or paid out of our profits and reserves lawfully available for distribution. Provided that we will be able to pay our debts as they fall due in the ordinary course of business immediately following the date on which the dividend is proposed to be paid, position of net liabilities or accumulated losses may not necessarily restrict us from declaring and paying dividends to our Shareholders.

Dividend distribution to our Shareholders is recognized as a liability in the period in which the dividends are approved by our Shareholders or Directors, where appropriate. During the Track Record Period, we did not declare or pay any dividend. We do not have a fixed dividend payout ratio.

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Share Subdivision and the Global Offering have been completed and 98,724,000 Shares are newly issued in the Global Offering; (ii) the Over-allotment Option is not exercised; (iii) no Shares have been issued pursuant to the RSU Scheme; and (iv) 414,802,672 Shares are issued and outstanding following the completion of the Global Offering.

	<u>Based on Offer Price of HK\$12.64</u>	<u>Based on Offer Price of HK\$16.64</u>
Market capitalization	HK\$5,243.1 million	HK\$6,902.3 million
Unaudited pro forma adjusted net tangible assets per Share	HK\$4.99	HK\$6.01

For the calculation of the unaudited pro forma adjusted net tangible asset value per Share, see Appendix II.

LISTING EXPENSES

The listing expenses in connection with the Global Offering primarily consist of underwriting commission and professional fees and, assuming an Offer Price of HK\$14.64 per Share, being the mid-point of the proposed Offer Price range, are estimated to be RMB99.4 million. During the Track Record Period, we incurred listing expenses of RMB33.2 million of which RMB25.2 million was recognized in the consolidated statement of comprehensive income for the year ended December 31, 2019 and RMB8.0 million was recognized as prepayments in the consolidated statement of financial position as of December 31, 2019 which will be accounted for as a deduction from equity upon Listing. Subsequent to the Track Record Period, we expect to further incur listing expenses of RMB66.2 million prior to and upon completion of the Global Offering, of which (i) RMB21.5 million is expected to be recognized as expenses in our consolidated statement of comprehensive income; and (ii) RMB44.7 million is expected to be accounted for as a deduction from equity upon Listing under the relevant accounting standard.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,336.6 million (after deducting the underwriting commissions and other estimated expenses paid and payable by us in relation to the Global Offering and assuming the full payment of the discretionary incentive fee), assuming an Offer Price of HK\$14.64 per Share, being the mid-point of the Offer Price range of HK\$12.64 to HK\$16.64 per Share, and that the Over-allotment Option is not exercised.

SUMMARY

In line with our strategies, we intend to use the net proceeds that we will receive from the Global Offering for the purposes and in the amounts set forth below:

- approximately 20.0%, or HK\$267.3 million, for implementing sales and marketing initiatives in China and overseas markets to expand our customer base and increase our transaction volume;
- approximately 35.0%, or HK\$467.8 million, for expanding our technology-enabled business services offerings;
- approximately 35.0%, or HK\$467.8 million, for enhancing our research and technology capabilities; and
- approximately 10.0%, or HK\$133.7 million, for working capital and other general corporate purposes.

We will issue an appropriate announcement if there is any material change in the abovementioned use of proceeds. See "Future Plans and Use of Proceeds".

RECENT DEVELOPMENTS

An outbreak of respiratory illness caused by a novel coronavirus, COVID-19 emerged in Wuhan, Hubei Province in late 2019 and continues to spread across China and globally. The novel coronavirus is highly contagious, posing a serious public health threat. The PRC government had imposed a lockdown in Wuhan and quarantine measures in other cities across China since January 23, 2020 and announced to extend the Chinese New Year holiday and delay the resumption of work in China. Local governments have imposed temporary restrictions or bans on passenger traffic to control the spread of the COVID-19. On January 30, 2020, the World Health Organization declared the outbreak of COVID-19 a Public Health Emergency of International Concern (PHEIC). On March 11, 2020, amid the escalating situation, the World Health Organization further characterized COVID-19 as a pandemic. As of March 31, 2020, with measures taken by the PRC government, there has been a significant decrease in the number of existing confirmed COVID-19 cases in China since mid-February. Our Directors have carried out a holistic review of the impact of the COVID-19 on our operations, and confirmed that as of March 31, 2020, COVID-19 is not expected to bring permanent or material interruption to our operations based on the following grounds:

(a) Impact on our business

As a result of the outbreak of COVID-19, Wuhan and other cities in China had been under various levels of quarantine measures. This has posed a degree of adverse impact to consumption in China, and hence demand for our payment and business services. Our GPV for the three months ended March 31, 2020 decreased by 15.8% as compared with the same period in 2019, while our monthly average GPV for the three months ended March 31, 2020 decreased by 18.0% as compared with our monthly average GPV for the year ended December 31, 2019.

We expect that our business will not be severely disrupted in the middle to long run because (i) on the basis that the COVID-19 has been largely contained in China, where substantially all of our business are conducted in. As the major outbreak has been confined to Hubei Province, and the lockdown of Wuhan and quarantine measures in other cities have been eased, our wide geographical coverage and extended merchant network in China make us relatively resilient to the COVID-19 outbreak. For the year ended December 31, 2019, GPV generated from Hubei Province represented approximately 4.1% of our total GPV for the same period; (ii) we primarily serve small and micro merchants and a substantial portion of them provide basic necessities such as groceries, and food and

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beverages, demand for which will remain relatively stable regardless of the market conditions; (iii) as Chinese New Year has historically been a low season for us, the COVID-19 outbreak had not made a material adverse impact on our business as a whole up to March 31, 2020. During the Track Record Period, first quarter contributed less than 20% of our full year GPV on average; and (iv) despite the adverse impacts of COVID-19, we still experienced an increase in revenue for the three months ended March 31, 2020 as compared with the same period in 2019, mainly due to the rapid growth of our technology-enabled business services.

Further, although the operations of our sales partners and external distribution channels have been affected by the COVID-19 outbreak, such as requiring employees to work from home, extending Chinese New Year holiday and temporarily suspending operating activities, we have not experienced any material negative impact on our business. As of the Latest Practicable Date, we were informed that all of our sales partners have resumed operation.

Moreover, the COVID-19 outbreak had not made any material adverse impact on the settlement of our loan receivables and trade receivables. Our overdue rate, calculated as overdue loan receivables as a percentage of the total loan receivables, slightly increased by 1.7 percentage point as of March 31, 2020 from that of January 31, 2020. As of the Latest Practicable Date, we had not experienced any significant delay in the settlement of our trade receivables since the outbreak of COVID-19.

(b) Impact on the supply chain of our payment devices

As of the Latest Practicable Date, we have maintained a reasonable level of inventory of payment devices. We only require payment devices for replacement and supply to new merchants acquired, and the demand for new payment devices from existing customers is small. Therefore, temporary disruption of the supply chain of payment devices is not expected to affect our business. Further, we were informed that as of the Latest Practicable Date, the production facilities of our payment terminal suppliers are mainly located in Shenzhen and Fuzhou, and all of them have resumed production. As of the Latest Practicable Date, we had not experienced any major supply chain disruption.

(c) Impact on our operations

In terms of our operation, while our payment and business services remained in operation throughout the prolonged Chinese New Year Holiday, all of our other functions, including customer service, sales and marketing, and research and development have resumed operation on February 10, 2020 in accordance with the extension of the Chinese New Year holiday and delay in resumption of work announced by the PRC government. As a technology-based company, all of our core functions can be performed remotely. See "Business — Risk Management and Internal Control — Business Risks — Operational Risks — Business contingency." As of the Latest Practicable Date, we had not experienced any material interruption in our business operations.

(d) Impact on our employees

In response to COVID-19, we have implemented an interim policy requiring our management members and employees to declare if they have recent travel history. If so, they are required to work from home and should only return to office upon receiving further notice from us. As of the Latest Practicable Date, none of our employees had recent travel history and were required to work from home according to our interim policy. Pursuant to the PRC Government's guidance, we have adopted a flexible work arrangement, allowing our employee to work from home to the extent possible. As of the Latest

SUMMARY

Practicable Date, all of our staff had reported to office. As of the Latest Practicable Date, we were not aware of any suspected or confirmed case of COVID-19 among our staff.

For the reasons above, we believe the impact of the outbreak of COVID-19 is temporary and will not bring any permanent or material interruption to our operations and our expansion plan. Our GPV for the month ended March 31, 2020 increased compared with that for the month ended February 29, 2020. We do not expect that the proceeds from the Global Offering will be applied for purposes and in manners other than those stated in "Future Plans and Use of Proceeds — Use of Proceeds." Assuming nil GPV from our payment service customers, we estimate that (i) our cash and cash equivalents as of March 31, 2020 and (ii) net proceeds from the Global Offering, based on the low end of the Offer Price range of HK\$12.64 to HK\$16.64 per share are sufficient to maintain our financial viability for a 47-month period from March 31, 2020 in settling (i) our estimated net cash used in operating activities, including estimated monthly fixed costs, payment for trade payables and settlement of trade receivables, and (ii) our estimated net cash used in financing activities, including repayment of bank borrowings and lease payments.

However, we cannot be entirely certain as to when the outbreak will be fully contained, and its impact will be completely alleviated. Any prolonged outbreak may adversely affect our business operations and financial results. See "Risk Factors — Risks Relating to Our Business and Industry — The outbreak of COVID-19 in China may adversely affect our business operations and financial results."

We made a specific impairment provision of RMB9.5 million for the year ended December 31, 2019 for the non-trade balance of RMB30.0 million due from Shenzhen Chaomeng, our sales partner and 10% owned associate, as repayment was delayed. We also made impairment provision of RMB3.4 million for the year ended December 31, 2019 in light of the loss-making status of Shenzhen Chaomeng in 2019 and our reassessment on the recoverable amount of equity investment in Shenzhen Chaomeng.

Our Directors confirm that, as of the date of this prospectus, other than the outbreak of COVID-19 as described above, there has been no material adverse change in our financial and trading positions or prospects since December 31, 2019, being the end of the period reported on in the Accountant's Report set out in Appendix I. Our financial performance throughout the Track Record Period has been adversely affected by fair value changes of the Preferred Shares, which amounted to RMB275.7 million, RMB213.2 million and RMB181.5 million for the years ended December 31 2017, 2018 and 2019, respectively. After the Listing, all the Preferred Shares will be converted into ordinary shares and recognized in equity, and we do not expect to incur further charges to our consolidated statements of comprehensive income as a result of valuation changes in such instruments.

Based on the unaudited interim condensed consolidated financial information of our Group for the three months ended March 31, 2020, which have been reviewed by our reporting accountants in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", our revenue increased by 15.1% from RMB465.0 million for the three months ended March 31, 2019 to RMB535.2 million for the same period in 2020, primarily due to the rapid growth of our technology-enabled business services. Our gross profit increased by 29.3% from RMB126.6 million for the three months ended March 31, 2019 to RMB163.7 million for the same period in 2020. Such increase was driven by an increase in our gross profit margin from 27.2% for the three months ended March 31, 2019 to 30.6% for the same period in 2020 as a result of the increasing gross profit contribution from our technology-enabled business services which had a higher gross profit margin.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Adams Street Funds"	Adams Street 2011 Direct Fund LP, Adams Street 2012 Direct Fund LP, Adams Street 2013 Direct Fund LP and Adams Street 2014 Direct Fund LP, being our Series-B Investors and Series-C Investors
"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the Articles of Association of our Company (as amended from time to time) adopted on April 30, 2020, a summary of which is set out in Appendix III
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Baopu"	Baopu International Limited, one of our Series-C Investors
"Basic Sage"	Basic Sage Investments Limited (基哲投資有限公司), a limited liability company incorporated in the BVI on March 8, 2019 which is wholly-owned by Mr. Zhang Ju (章舉), and one of our Shareholders
"Board" or "Board of Directors"	the board of directors of our Company
"Brocade Creation"	Brocade Creation Investment Limited, an exempted company incorporated in the BVI with limited liability on November 15, 2019 and wholly-owned by Liu FT Nominee, and one of our Controlling Shareholders
"business day" or "Business Day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Cayman Companies Law" or "Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as amended or supplemented or otherwise modified from time to time) of the Cayman Islands

DEFINITIONS

"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"CITIC Investment"	CITIC Securities Investment Co., Ltd. (中信証券投資有限公司), one of our First Round Series-C Investors
"Clear Joyous"	Clear Joyous Global Limited (朗悅環球有限公司), a company incorporated in the BVI on March 25, 2019 and a wholly-owned subsidiary of our Company
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or 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 or supplemented or otherwise modified from time to time
"Company", "our Company"	YEAHKA LIMITED (移卡有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on September 8, 2011, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries
"Contractual Arrangements"	a series of contractual arrangements entered into on October 29, 2019 by, among others, Yeahka WFOE, the PRC Consolidated Entities and their respective shareholders, details of which are described in "Contractual Arrangements"

DEFINITIONS

“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules, and unless the context otherwise requires, refers to, Mr. Liu, Creative Brocade International, Creative Brocade and Brocade Creation
“Creative Brocade”	Creative Brocade Ltd., an exempted company incorporated in the BVI with limited liability on September 7, 2011 and wholly-owned by Mr. Liu, and one of our Controlling Shareholders
“Creative Brocade International”	Creative Brocade International Limited, an exempted company incorporated in the BVI with limited liability on November 15, 2019 and held as to 99.9% by Brocade Creation and 0.1% by Creative Brocade, and one of our Controlling Shareholders
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	the deed of indemnity dated April 30, 2020 and entered into by the Controlling Shareholders with and in favor of our Company (for itself and as trustee for its subsidiaries) in respect of, among other things, certain indemnities, details of which are set out in “Statutory and General Information — E. Other Information — 1. Estate Duty and Tax Indemnity” in Appendix IV
“Director(s)”	the director(s) of our Company
“EIT”	enterprise income tax
“EIT Law”	the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》), which came into effect on January 1, 2008, as amended or supplemented or otherwise modified from time to time
“EIT Rules”	the Implementing Regulations of the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》), which came into effect on January 1, 2008, as amended or supplemented or otherwise modified from time to time
“Expanded Treasure”	Expanded Treasure Technology Limited, a company incorporated in Hong Kong on April 24, 2019 and an indirect wholly-owned subsidiary of our Company
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong

DEFINITIONS

"Feiquan Factoring"	Shenzhen Qianhai Feiquan Commercial Factoring Co., Ltd. (深圳前海飛泉商業保理有限公司), a limited liability company established in the PRC on October 10, 2016 and an indirect wholly-owned subsidiary of our Company
"First Round Series-C Investors"	CITIC Investment, Jiaxing Yueming, Shenzhen Liantai, Zhongshan Chuangtai and Zhuhai Jinhuan, further details of which are set out in "History, Reorganization and Corporate Structure — Information about the Pre-IPO Investors — First Round Series-C Investors"
"Founder(s)"	Mr. Liu and Mr. Qin
"Fushi"	Fushi Technology (Shenzhen) Co., Ltd (深圳市富匙科技有限公司), a company established in the PRC on April 12, 2016 with limited liability and owned as to 55% by Shanghai Tatata Network Technology Co., Ltd. (上海他她它互聯網科技有限公司), an independent third party, and 45% by Qianhai Saosao, an indirect wholly-owned subsidiary of our Company
"GAPP"	General Administration of Press and Publication of the PRC (中華人民共和國新聞出版總署), currently known as the State Administration of Press and Publication (國家新聞出版署)
"Global Offering"	the Hong Kong Public Offering and the International Offering
" GREEN Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we", "our" or "us"	our Company, its subsidiaries and the PRC Consolidated Entities from time to time, or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time or the business operated by such subsidiaries or their predecessors (as the case may be)
"Group Company(ies)"	Company(ies) comprising the Group
"Guangzhou Feiquan"	Guangzhou Feiquan Micro Lending Co., Ltd. (廣州飛泉小額貸款有限公司), a limited company established in the PRC on July 30, 2019, a wholly-owned subsidiary of Shenzhen Yeahka, the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements, and one of the PRC Consolidated Entities

DEFINITIONS

“Hangzhou Qingni”	Hangzhou Qingni Technology Co., Ltd. (杭州青霓科技有限公司), a limited liability company established in the PRC on October 30, 2018, an indirect subsidiary of our Company and is held as to 60% by Leshou Cloud and as to 40% by Mr. Li Zhi’ang (李志昂), an independent third party
“HK\$”, “Hong Kong dollars”, “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 9,872,800 Shares being initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to adjustments as described in “Structure of the Global Offering”)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Takeovers Code” or “Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended or supplemented or otherwise modified from time to time
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting — Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated May 19, 2020, relating to the Hong Kong Public Offering and entered into by, among others, the Joint Sponsors, the Joint Global Coordinators, the Hong Kong Underwriters and our Company
“ICP License”	the internet content provider license for the provision of internet information services
“IFRS”	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board

DEFINITIONS

“independent third party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not our connected persons
“Industry Ventures”	Industry Ventures Partnership Holdings III, L.P., one of our Series-B Investors
“International Offer Shares”	the 88,851,200 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, (subject to adjustments as described in “Structure of the Global Offering”)
“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price, outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in “Structure of the Global Offering”
“International Underwriters”	the group of underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the Joint Global Coordinators, the International Underwriters and our Company on or about May 25, 2020
“IVP Funds”	IVP Fund II A, L.P. and IVP Fund II B, L.P., our Series-A Investors
“Jiaxing Yueming”	Jiaxing Yueming Investment Partnership (Limited Partnership) (嘉興悅鳴投資合夥企業(有限合夥)), one of our First Round Series-C Investors which is no longer a shareholder of Shenzhen Yeahka
“JPY”	Japanese Yen, the lawful currency of Japan
“JX SPV”	Infield Badge Holdings Ltd., a company incorporated in the BVI on March 10, 2015, which is under common control with Jiaxing Yueming and no longer a Shareholder of our Company
“Joint Bookrunners”	CLSA Limited, Nomura International (Hong Kong) Limited, ABCI Capital Limited, Haitong International Securities Company Limited, China Merchants Securities (HK) Co., Limited, ICBC International Capital Limited and Futu Securities International (Hong Kong) Limited

DEFINITIONS

“Joint Global Coordinators”	CLSA Limited, Nomura International (Hong Kong) Limited, and ABCI Capital Limited
“Joint Lead Managers”	CLSA Limited, Nomura International (Hong Kong) Limited, ABCI Securities Company Limited, Haitong International Securities Company Limited, China Merchants Securities (HK) Co., Limited, ICBC International Securities Limited, Futu Securities International (Hong Kong) Limited, China Galaxy International Securities (Hong Kong) Co., Limited and uSmart Securities Limited
“Joint Sponsors”	CLSA Capital Markets Limited, Nomura International (Hong Kong) Limited, and ABCI Capital Limited
“Latest Practicable Date”	May 12, 2020, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Lerun Equity”	Lerun Equity Investment (Hengqin) Partnership (Limited Partnership) (樂潤股權投資(橫琴)合夥企業(有限合夥)), a limited partnership established in the PRC, which is managed by Shenzhen Zhengneng Capital Management Co., Ltd. (深圳市正能資本管理有限公司) as the general partner and indirectly wholly-owned by Shenzhen Yixiaowei Capital Management Co., Ltd. (深圳市億小微資本管理有限公司), an independent third party
“Leshou Cloud”	Shenzhen Leshou Cloud Technology Co., Ltd. (深圳市樂售雲科技有限公司), a limited liability company established in the PRC on April 28, 2014 and an indirect wholly-owned subsidiary of our Company
“Leshua Technology”	Leshua Technology Co., Ltd. (樂刷科技有限公司), a limited liability company established under the laws of the PRC on July 31, 2013, a wholly-owned subsidiary of Shenzhen Yeahka, the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements, and one of the PRC Consolidated Entities
“Letuobao”	Shenzhen Letuobao Technology Co., Ltd. (深圳樂拓寶科技有限公司), a limited liability company established in the PRC on August 1, 2019 and an indirect wholly-owned subsidiary of our Company
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange

DEFINITIONS

“Listing Date”	the date, expected to be on or about June 1, 2020, on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented or otherwise modified from time to time
“Liu Family Trust”	a discretionary trust named Brocade Creation Trust established on January 2, 2020 by Mr. Liu (as the settlor) and the discretionary beneficiary of which includes Mr. Liu
“Liu FT Nominee”	Brocade Creation Limited, a company incorporated in Guernsey on January 2, 2020, which is owned by two nominees of the Liu FT Trustee
“Liu FT Trustee”	Credit Suisse Trust Limited, an independent and professional trustee acting as the trustee of the Liu Family Trust
“LT SPV”	Longwood Capital Investment Limited, a company incorporated under the laws of the Cayman Islands with limited liability on November 16, 2017, which is owned as to 82.3% by Cai Shaohong and 17.7% by Qiu Hongbin, both of whom are independent third parties, and one of the Pre-IPO Investors
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company (as amended from time to time), adopted on April 30, 2020, a summary of which is set out in Appendix III
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOC”	the Ministry of Culture of the PRC (中華人民共和國文化部), currently known as the Ministry of Culture and Tourism of the PRC (中華人民共和國文化和旅游部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Liu”	Mr. Liu Yingqi (劉穎麒), chairman of the Board, executive Director, chief executive officer, the settlor of the Liu Family Trust and one of our Founders and Controlling Shareholders

DEFINITIONS

“Mr. Qin”	Mr. Qin Baoan (秦保安), one of our Founders
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Oliver Wyman”	Oliver Wyman, Inc., the industry consultant
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 14,808,400 Shares at the Offer Price to cover over-allocations in the International Offering, if any
“Payment License”	payment business license issued by the PBOC (支付業務許可證)
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Penguin Financial”	Shenzhen Penguin Financial Technology Co., Ltd. (深圳市企鵝金融科技有限公司), a limited liability company incorporated in the PRC on June 4, 2014, which is a subsidiary of Shiji Kaixuan
“PRC Consolidated Entities”	Shenzhen Yeahka, Leshua Technology, and Guangzhou Feiquan, the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements
“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Advisors”	Han Kun Law Offices

DEFINITIONS

“PRC Operating Entity(ies)”	Yeahka WFOE, Leshou Cloud, Shenzhen Zhizhanggui, Hangzhou Qingni, Qianhai Saosao, Shenzhen Yeahka, Leshua Technology, Shenzhen Feiquan, Feiquan Factoring, Guangzhou Feiquan and Letuobao
“Preferred Share(s)”	collectively, Series-A Preferred Shares, Series-B Preferred Shares and Series-C Preferred Shares
“Preferred Shares Conversion”	the conversion of preferred shares referred to in “Statutory and General Information — A. Further Information about our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on April 30, 2020” in Appendix IV
“Pre-IPO Investment(s)”	the pre-IPO investment(s) in our Group undertaken by the Pre-IPO Investors, details of which are set out in “History, Reorganization and Corporate Structure — Pre-IPO Investments”
“Pre-IPO Investors”	THL U, IVP Funds, Recruit Holdings, Greycroft Growth, L.P., e.ventures Growth, L.P., Adams Street Funds, Industry Ventures, LT SPV, Baopu, IVP Annex I LLC and TheOne, and where the context requires, including those First Round Series-C Investors who are no longer our Shareholders
“Pre-IPO Shareholders’ Agreement”	the amended and restated shareholders’ agreement dated June 28, 2019 entered into, among others, by our Company and holders of the ordinary Shares and Preferred Shares
“Pre-IPO Stock Incentive Scheme”	the pre-IPO stock incentive scheme of the Company approved and adopted by our Board on January 1, 2013, and as subsequently amended, the principal terms of which are set out in “Statutory and General Information — D. Share Incentive Schemes — 1. Pre-IPO Stock Incentive Scheme” in Appendix IV
“Previous Contractual Arrangements”	the contractual arrangements entered into in 2012 and 2013 and terminated in 2019 as described in “History, Reorganization and Corporate Structure — Corporate Reorganization — Step 3: Termination of the Previous Contractual Arrangements and adoption of the New Contractual Arrangements”
“Price Determination Agreement”	the agreement to be entered into by the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price

DEFINITIONS

"Price Determination Date"	the date, expected to be on or about May 25, 2020, on which the Offer Price will be determined and, in any event, not later than May 27, 2020
"Principal Share Registrar and Transfer Office"	Maples Fund Services (Cayman) Limited
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"Qianhai Saosao"	Shenzhen Qianhai Saosao Technology Co., Ltd (深圳市前海掃掃科技有限公司), a limited liability company established in the PRC on September 13, 2016 and an indirect wholly-owned subsidiary of our Company
"QIB" or "Qualified Institutional Buyer"	a qualified institutional buyer within the meaning of Rule 144A
"Recruit Holdings"	Recruit Holdings Co., Ltd., one of our Series-B Investors and Series-C Investors
"Registered Shareholders"	the registered shareholders of Shenzhen Yeahka, namely, Mr. Liu, Mr. Qin, Shenzhen Tencent, Penguin Financial, holding approximately 99.2726%, 0.3223%, 0.3750% and 0.0301% of the equity interest in Shenzhen Yeahka, respectively
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the reorganization of our Group in preparation of the Listing, details of which are set out in "History, Reorganization and Corporate Structure — Corporate Reorganization"
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RSU"	restricted share unit
"RSU Nominees"	RSU Nominee 1 and RSU Nominee 2
"RSU Nominee 1"	Yeah Talent Holding Limited, a company incorporated in the BVI on November 6, 2019, a wholly-owned subsidiary of the RSU Trustee and will hold 13,500,968 Shares underlying the RSUs granted and to be granted for the benefit of eligible participants pursuant to the RSU Scheme upon Listing

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"RSU Nominee 2"	Yeah United Holding Limited, a company incorporated in the BVI on November 6, 2019, a wholly-owned subsidiary of the RSU Trustee and will hold 24,951,984 Shares underlying the RSUs granted and to be granted for the benefit of eligible participants pursuant to the RSU Scheme upon Listing
"RSU Scheme"	the restricted share unit scheme of our Company approved and adopted by our Board on August 1, 2019, the principal terms of which are set out in "Statutory and General Information — D. Share Incentive Schemes — 2. RSU Scheme" in Appendix IV
"RSU Trustee"	TMF Trust (HK) Limited, an independent and professional trustee appointed by our Company to act as the trustee of the RSU Scheme
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), now known as State Administration of Market Regulation (國家市場監督管理總局)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Second Round Series-C Investors"	IVP Annex I LLC, Baopu, Greycroft Growth, L.P., e.ventures Growth, L.P., Adams Street Funds, Recruit Holdings and TheOne, further details of which are set out in "History, Reorganization and Corporate Structure — Information about the Pre-IPO Investors — Second Round Series-C Investors"
"Series-A Preferred Share(s)"	the voting, convertible and redeemable series-A preferred shares in the capital of our Company each with a nominal or par value of US\$0.0001
"Series-B Preferred Share(s)"	the voting, convertible and redeemable series-B preferred shares in the capital of our Company each with a nominal or par value of US\$0.0001
"Series-C Preferred Share(s)"	the voting, convertible and redeemable series-C preferred shares in the capital of our Company each with a nominal or par value of US\$0.0001
"Series-A Investment"	the investment made by Series-A Investors in relation to the Series-A Preferred Shares

DEFINITIONS

"Series-A Investors"	THL U and IVP Funds, further details of which are set out in "History, Reorganization and Corporate Structure — Information about the Pre-IPO Investors — Series-A Investors"
"Series-B Investment"	the investment made by Series-B Investors in relation to the Series-B Preferred Shares
"Series-B Investors"	Greycroft Growth, L.P., e.ventures Growth, L.P., Recruit Holdings, Adams Street Funds and Industry Ventures, further details of which are set out in "History, Reorganization and Corporate Structure — Information about the Pre-IPO Investors — Series-B Investors"
"Series-C Investment"	the investment made by Series-C Investors in relation to the equity interests in Shenzhen Yeahka and the Series-C Preferred Shares
"Series-C Investors"	the First Round Series-C Investors and the Second Round Series-C Investors
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Future Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
"Share Subdivision"	the share subdivision referred to in "Statutory and General Information — A. Further Information about our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on April 30, 2020" in Appendix IV
"Shareholder(s)"	holder(s) of Shares
"Shares"	ordinary shares in the capital of our Company with nominal value of US\$0.000025 each
"Shenzhen Baida"	Shenzhen Baida Technology Co., Ltd. (深圳市百答科技有限公司), a company established in the PRC on October 26, 2012 with limited liability and owned as to 42.3% by Chen Bin, 29.7% by Wang Xiaofeng, 15.75% by Zhejiang Qipeng Network Technology Co., Ltd. (浙江企朋網絡技術股份有限公司), 2.25% by Hangzhou Haikui Investment Partnership (Limited Partnership) (杭州海奎投資合夥企業(有限合夥)), each an independent third party, and 10% by Shenzhen Yeahka, one of the PRC Consolidated Entities

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“Shenzhen Chaomeng”	Shenzhen Chaomeng Financial Technology Information Service Co., Ltd., a company established in the PRC on July 23, 2016 with limited liability and owned as to 80% by Shenzhen Chaomeng Brother Development Co., Ltd., an independent third party, 10% by Shenzhen Yeahka, one of the PRC Consolidated Entities, and 10% by Shenzhen Chaomeng Data Partnership (Limited Partnership), an independent third party
“Shenzhen Chuangjin”	Shenzhen Chuangjin Investment Consulting Co., Ltd. (深圳市創錦投資諮詢有限公司), a limited company established in the PRC on October 15, 2010, which is owned as to 99% by Mr. Hu Xianggui (胡香桂) and as to 1% by Ms. Yu Caifeng (于彩鳳), each of whom is an independent third party
“Shenzhen Feiquan”	Shenzhen Feiquan Cloud Data Services Co., Ltd. (深圳市飛泉雲數據服務有限公司), a limited company established in the PRC on February 23, 2016 and an indirect wholly-owned subsidiary of our Company
“Shenzhen Liantai”	Shenzhen Liantai Huijia No.2 Investment Enterprise (Limited Partnership) (深圳聯泰匯佳貳號投資企業(有限合夥)), one of our First Round Series-C Investors
“Shenzhen Tencent”	Shenzhen Tencent Domain Computer Network Co., Ltd. (深圳市騰訊網域計算機網絡有限公司), a limited company incorporated in the PRC on April 28, 1997, which is a subsidiary of Tencent Computer
“Shenzhen Xunxiang”	Shenzhen Xunxiang Technology Co., Ltd. (深圳市迅享科技有限公司), a company established in the PRC on July 23, 2013 with limited liability and owned as to 76% by Zhang Yang, 9% by Jiaying Aiweipin Investment Partnership (Limited Partnership) (嘉興愛唯品投資合夥企業(有限合夥)), 5% by Guo Xiaofeng, each an independent third party, and 10% by Shenzhen Yeahka, one of the PRC Consolidated Entities
“Shenzhen Yeahka”	Shenzhen Yeahka Technology Co., Ltd. (深圳市移卡科技有限公司), a limited company established in the PRC on June 16, 2011, the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements, and one of the PRC Consolidated Entities
“Shenzhen Zhizhangui”	Shenzhen Zhizhangui Cloud Service Co., Ltd. (深圳市智掌櫃雲服務有限公司) a limited company established under the laws of the PRC on June 23, 2017 and an indirect wholly-owned subsidiary of our Company

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“Shiji Kaixuan”	Shenzhen Shiji Kaixuan Technology Co., Ltd. (深圳市世紀凱旋科技有限公司), a subsidiary of Tencent
“Smallbox”	Smallbox Ltd., a company incorporated in the BVI on September 7, 2011, which is wholly owned by Mr. Qin
“Stabilizing Manager”	CLSA Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tencent”	Tencent Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700) and/or its subsidiaries, as the case may be
“Tencent Computer”	Shenzhen Tencent Computer Systems Co., Ltd. (深圳市騰訊計算機系統有限公司), a subsidiary of Tencent
“TheOne”	TheOne Investment Holdings Ltd., one of our Series-C Investors
“THL U”	THL U Limited, a company incorporated under the laws of the BVI, a subsidiary of Tencent
“Track Record Period”	the years ended December 31, 2017, 2018 and 2019
“Tuozhanbao Finance”	Tuozhanbao Internet Financial Services (Shenzhen) Co., Ltd. (拓展寶互聯網金融服務(深圳)有限公司), a limited liability company established in the PRC on December 24, 2015, and an entity wholly owned by Mr. Zhang Ju (章舉), who is an independent third party and the ultimate owner of Tuozhanbao Finance prior to the Reorganization
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “USD” or “U.S. dollars”	United State dollars, the lawful currency for the time being of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder

DEFINITIONS

“VATS License”	the license for value-added telecommunications services
“ WHITE Application Form(s)”	the application form(s) for use by the public who require such Hong Kong Public Offer Shares to be issued in the applicant’s own name(s)
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Yeahka HK”	Yeahka Technology Limited, a limited company incorporated under the laws of Hong Kong on October 7, 2011 and a wholly-owned subsidiary of our Company
“Yeahka WFOE”	Yeahka Technology (Shenzhen) Co., Ltd. (宜卡科技(深圳)有限公司), a limited company established under the laws of the PRC on May 17, 2012 and an indirect wholly-owned subsidiary of our Company
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require such Hong Kong Public Offer Shares to be deposited directly into CCASS
“Zhongluo Investment”	Shenzhen Zhongluo Investment Partnership (Limited Partnership) (深圳市眾絡投資合夥企業(有限合夥)), a limited partnership established in the PRC on February 23, 2017 for the purpose of holding incentive shares to be granted to our employees
“Zhongshan Chuangtai”	Ningbo Meishan Bonded Port Area Zhongshan Chuangtai Investment Partnership (Limited Partnership) (寧波梅山保稅港區中善創泰投資合夥企業(有限合夥)), one of our First Round Series-C Investors
“Zhuhai Jinhuan”	Zhuhai Jinhuan Investment Partnership (Limited Partnership) (珠海金環投資合夥企業(有限合夥)), one of our First Round Series-C Investors
“2017 Restructuring”	the internal restructuring with a series of shareholding changes in Shenzhen Yeahka in 2017 as described in “History, Reorganization and Corporate Structure — Information on Members of our Group — Our Company — Shenzhen Yeahka”

DEFINITIONS

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

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

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

"active payment service customer(s)"	Merchants who used our payment services for an aggregated transaction amount of over RMB1,000 for the past 12 months
"app(s)"	mobile application(s) and software(s) designed to run on smartphone and other mobile devices
"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
"Belt and Road"	an initiative of the PRC Government, which aims to connect China with the world and promote trade relationships with its neighboring countries
"big data analytics"	the use of advanced analytic techniques against very large, diverse data sets to uncover hidden patterns, unknown correlations, market trends, customer preferences and other useful information that can help organizations make more informed business decisions
"bps"	basis points. A basis point is a unit that is equal to 1/100th of 1%
"CAGR"	compound annual growth rate
"client reserve funds"	funds received on behalf of our clients from processing payments which are payable to clients
"COVID-19"	Novel Coronavirus Pneumonia (COVID-19), a respiratory illness that was first reported from Wuhan, China in December, 2019
"CPA"	cost per acquisition, a pricing model where advertising is paid on the basis of number of customer acquired
"CPC"	cost per click, a pricing model where advertising is paid on the basis of performance of certain action
"CPI"	cost per impression, a pricing model where advertising is paid on the basis of a certain number of impressions
"CPM"	cost per mille, a pricing model where advertising is paid on the basis of thousand impressions
"CPT"	cost per time, a pricing model where advertising is paid on the basis of a set period of time
"customer acquisition cost"	calculated as selling expenses during the relevant year divided by the number of new activated customer during the same year

GLOSSARY OF TECHNICAL TERMS

“CVV code”	card verification value code, a short numerical code that appears on credit cards or debit cards that can verify the legitimacy of credit cards or debit cards
“fintech”	the new technology and innovation that aims to compete with traditional financial methods in the delivery of financial services
“GPV”	gross payment volume
“industry vertical”	industries in which vendors offer goods and services to groups of customers with specific needs
“IT”	information technology
“micro and small merchants”	the group of merchants whose annual payment volume is typically less than RMB2 million
“Mobile Quickpass”	the UnionPay mobile application (雲閃付), a unified mobile payment portal of China’s banking industry launched by China UnionPay, which offers one-stop mobile payment services to its users
“NetsUnion”	China Nets Union Clearing Corporation (中國網聯清算有限公司)
“payment gateway”	interface that facilitates payment transactions by the transfer of information between a payment portal, such as a website or a mobile device, and the bank’s payment authorization system, through which payment transactions are processed
“QR code”	Quick Response Code, a type of barcode that is machine readable
“SaaS” or “software as a service”	a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted
“server”	a computer system that provides services to other computing systems over a computer network
“UnionPay”	China UnionPay (中國銀聯股份有限公司), the only bank card clearing house and bank card association in China, who operates an inter-bank transaction settlement system through which the connection and switch between banking systems and the interbank, cross-region usages of bank cards issued by associate banks may be realized

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to control or reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in the sections headed "Business" and "Financial Information" in this prospectus with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

Investing in our Shares involves risks. Before deciding to invest in the Shares, you should carefully consider all of the information in this prospectus, including the following risk factors, in light of the circumstances and your own investment objectives. The occurrence of any of the following events could materially adversely affect our business, financial condition and results of operations, in which case the trading price of our Shares could also decline, and you could lose part or all of your investment. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands and that our principal operations are conducted in China and are governed by a legal and regulatory environment that may differ significantly from that of other countries.

There are certain risks involved in our operations, and many of these risks are beyond our control. These risks can be characterized as: (i) risks relating to our business and industry; (ii) risks relating to our Contractual Arrangements; (iii) risks relating to conducting business in China; and (iv) risks relating to the Global Offering. Additional risks and uncertainties that are presently not known to us, or not expressed or implied below, or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our success depends on the ability to develop products and services to address the rapidly evolving market for one-stop payment services and technology-enabled business services.

We expect that new products, services and technologies applicable to the industries in which we operate will continue to emerge and evolve. Rapid and significant technological changes continue to shape such industries, including developments in ecommerce, mobile commerce, and proximity payment devices. Other potential changes, such as developments in big data analytics and artificial intelligence, are on the horizon as well. Similarly, there is rapid innovation in the products and services to facilitate business operations, including technology-enabled business services. These new products, services and technologies may be superior to, impair, or render obsolete the products and services we currently offer, or the technologies we currently use to provide them.

Incorporating new technologies into our products and services may require substantial expenditures and considerable time, and we may not be successful in realising a return on these development efforts in a timely manner or at all. There can be no assurance that any new products or services we develop and offer to our customers will achieve significant commercial acceptance. Our ability to develop new products and services may be inhibited by industry-wide standards, laws and regulations, payment networks, resistance to change from customers, or third parties' intellectual property rights. The planned timing for introduction of new products and services is subject to risks and uncertainties. We cannot assure you that any of our new products and services will achieve widespread market acceptance and generate incremental revenues. Moreover, actual timing may differ materially from original plans. Unexpected technical, distribution or other problems could delay or prevent the introduction of our new products and services. If we are unable to provide enhancements and new features for our products and services or to develop new products and services that achieve market acceptance or that keep pace with rapid technological developments and evolving industry standards, our business, results of operations and financial condition would be materially and adversely affected.

RISK FACTORS

Market, economic and other conditions in China may adversely affect the demand for our products and services.

Payment services depend upon the overall level of economic conditions and consumer spending in China. A sustained deterioration in the general economic conditions in China, including any turmoil in the economy, reductions in household disposable income, distresses in financial markets, or reduced market liquidity, as well as increased government intervention, may reduce the number of our customers. Micro and small merchants, in particular, are more susceptible to adverse changes in market, economic and regulatory conditions in China, the level of consumption, and thus adversely affect the market demand for our technology-enabled business services. As a result, our financial performance could be adversely affected.

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

- fluctuations in consumer demand, which reflect the prevailing economic and demographic conditions;
- low levels of consumer and business confidence associated with recessionary environments may reduce spending of consumers;
- financial institutions may restrict credit lines to cardholders or limit the issuance of new cards to mitigate cardholder defaults; and
- government intervention and regulation, and/or reduction in government investments in our customers, may reduce their desire to use our products and services.

The outbreak of COVID-19 in China may adversely affect our business operations and financial results.

In late 2019, an outbreak of respiratory illness caused by a novel coronavirus, COVID-19 emerged in Wuhan, Hubei Province, which continues to spread across China and globally. On January 23, 2020, the PRC government announced the lockdown of Wuhan in an attempt to quarantine the city. Since then, draconian measures including travel restrictions had been imposed in other major cities of China to contain the coronavirus outbreak. On January 30, 2020, the World Health Organization declared the outbreak of COVID-19 a Public Health Emergency of International Concern (PHEIC). On March 11, 2020, amid the escalating situation, the World Health Organization further characterized COVID-19 as a pandemic. The outbreak, which may result in a high number of fatalities, is likely to have an adverse impact on the livelihood of the people in and the economy of China, particularly Wuhan and Hubei Province. The outlook of the payment and business services industry, economic slowdown and/or negative business sentiment could potentially have an indirect impact on the payment and business services industry and our business operations and financial results may be adversely affected.

We cannot be entirely certain as to when the outbreak will be fully contained, and its impact will be completely alleviated. If the spread of the disease is not alleviated and contained in the foreseeable future, our business operations and financial results could be adversely affected as a result of the changes in the outlook of the payment and business services industry, or any slowdown in economic growth, negative business sentiment or other factors that we cannot foresee.

RISK FACTORS

We are subject to extensive regulations in the payment and business services industry. Non-compliance with or changes to the regulations or licensing regimes may materially affect our business operations and financial results.

The payment and business services industries are highly regulated in China. Several regulatory authorities, such as the PBOC, CSRC, SAFE, NDRC and CBIRC, oversee different domains of these industries. There are laws and regulations that cover different aspects of these industries including entry into such businesses, scope of permitted activities, licenses and permits for various operations and pricing. Major laws and regulations that govern our business include or may in the future include those relating to payment and business services, such as payment processing and settlement, money transfer, foreign exchange, anti-money laundering and financial consumer protection, insurance and financial services. See "Regulatory Overview."

As the payment and business services market in China are 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. If we fail to continuously comply with the applicable rules and regulations, we may face fines or restrictions on our business activities, or even a suspension or revocation of some or all of our licenses that allow us to carry on our business activities. Furthermore, the PRC government may institute new licensing regimes covering our current and future service offerings. If such a licensing regime were introduced, we cannot assure you that we would be able to obtain any newly required license in a timely manner, or at all, which could materially and adversely affect our business and impede our ability to continue our operations.

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

While providing our products and services, we process transaction information and personal information relating to our customers, some of which may be sensitive. Such information may include credit and debit card numbers, bank account numbers, names and addresses, and other types of personal information or sensitive transaction information. While processes and procedures are in place to protect such data, we cannot assure you that these measures will be successful and sufficient to counter all current and emerging technology threats that may breach our systems to gain access to confidential information.

Our systems are subject to illegal penetration, and our data protection measures may not effectively prevent unauthorized access. 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 arise from human error, fraud or malice on the part of employees or third parties, or may result from accidental technological failure. Computer viruses can be distributed and could infiltrate our systems or those of our associated third parties. In addition, denial of service or other attacks could be launched against us for a variety of purposes, including to interfere with our services or create a diversion for other malicious activities. Our defensive measures may not prevent unauthorized access or use of sensitive data.

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. We have undertaken in some agreements to take protective measures to ensure the confidentiality of customer data. Any failure to adequately enforce or provide these protective measures could result in liability, protracted and costly litigation and, with respect to misuse of the personal information of customers, lost revenue and reputational harm.

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Any type of security breach, cyberattack or misuse of data described above or otherwise could harm our reputation and deter existing and prospective customers from using our services, 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 business partners.

We face risks relating to our acquisitions, investments and alliances, which could have a material adverse effect on our financial condition and results of operations.

We have invested, and in the future, may invest, in a diverse array of businesses, technologies and ventures, and may enter into acquisitions and alliances from time to time. Such endeavors may involve significant risks and uncertainties, including distracting management from current operations, greater than expected liabilities and expenses and unidentified issues not discovered in our due diligence. These new ventures are inherently risky and may not be successful. In addition, upon completion of an investment or acquisition, we may allocate significant resources to the integration of the new business into our existing business to realize synergetic benefits. The integration process involves risks and uncertainties, some of which are beyond our control, and there can be no assurance that we will be able to realize the anticipated benefits, synergies, cost savings or efficiencies.

In particular, we have invested in a number of companies over which we do not obtain control. Entities over which we have significant influence but not control, i.e. associates, are accounted for using the equity method of accounting. As of December 31, 2017, 2018 and 2019, the aggregate carrying amount of our investments in associates was approximately RMB6.4 million, RMB37.4 million and RMB31.1 million, respectively. For further details of our investment in associates, see Note 14 to the Accountant's Report in Appendix I to this prospectus. These transactions also involve significant challenges and risks in the following aspects, among others:

- for investments over which we do not obtain control, we may lack influence over the operations of these investees, which may prevent us from achieving our strategic goals in these investments;
- uncertain return of capital. For example, the recoverability of our investments accounted for using equity method will be subject to uncertainties given that we will only realize return upon receiving dividend payments from these associates unless we dispose of these investments; unforeseen or hidden liabilities or additional operating losses, costs and expenses that may adversely affect us following our acquisitions or investments;
- liquidity risks with respect to investments over which we do not obtain control. No cash flow can be generated from privately-held investee companies until dividends are received as investment in associates are not as liquid as other investment products. Even if profits are reported under equity accounting, there can be no assurance that the investee companies will make dividend distribution in the future as we do not have control over the investee companies; and

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- the impact of the fair value changes of investments measured at fair value through profit or loss on our financial performance and the associated uncertainties in accounting estimates as the valuations of these investments require the use of unobservable inputs and judgments. See “— Our results of operations and financial condition may be adversely affected by our financial assets and financial liabilities at fair value through profit or loss due to the uncertainty of accounting estimates in the fair value measurement with the use of significant unobservable inputs.”

Significant impairment to goodwill could materially impact our financial position and results of our operations.

During the Track Record Period, we recorded goodwill as a result of the acquisition of two companies, namely TuoZhanbao Finance and Leshou Cloud, and goodwill amounted to nil, nil and RMB145.8 million as of December 31, 2017, 2018 and 2019, respectively. See Note 16 and 33(a) to the Accountant’s Report as set out in Appendix I for details.

Pursuant to applicable accounting standards, goodwill is subject to assessment for impairment annually or more frequently if certain events or changes in circumstances indicate that it might be impaired. As impairment loss is recognized for the amount by which the assets’ carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. The impairment may be further affected by the assumptions made by the management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off and record a significant impairment loss. Any significant impairment of goodwill could have a material adverse effect on our financial position and results of operations.

If we fail to compete effectively, we may lose customers, which could materially and adversely affect our business, financial condition and results of operations.

We operate in evolving markets, characterized by fierce competition and continual changes in customer needs and industry standards, as well as frequent introductions of new products and services. Competition may intensify in the future, as existing and new competitors introduce new or enhance existing products and services, with more advanced technologies.

Our primary competitors are other independent payment service providers. Some of these companies have more financial resources and larger customer bases, and thus significant competitive and scale advantages. These companies may devote greater resources to the development, promotion and sale of products and services, and offer them at lower prices. Our competitors may offer more attractive terms to business partners, including sales agents or other channel partners to gain better access to potential customers. Mergers and acquisitions by these companies may lead to even larger competitors with more resources.

In addition, the intensifying competition in the payment service market may adversely affect our profit margin. As the payment service fee rate has become largely market driven since September 2016, pricing of independent payment service providers is largely at similar levels. See “Regulatory Overview — Regulations on Payment Services of Non-financial Institutions — Pricing Mechanism of Bankcard Transaction Fee.” As a result of such intensifying competition in the payment service market, we may need to incur higher customer acquisition costs, as well as to offer more competitive

RISK FACTORS

commission rates to our distribution channels. These may lead to a decrease in our profit margin, and thus adversely affect our business, financial condition and results of operations.

Further, we face the risk of increasing competition from banks and affiliated payment service providers. In particular, WeChat Pay and Alipay, the two largest third-party payment service providers in China, who currently provide payment services ancillary to their major lines of business, may start to grow their payment services for micro and small merchants. These affiliated payment service providers may have larger customer bases, and more resources than we do. We also expect new market entrants to offer competitive products and services. If we are unable to differentiate ourselves from and successfully compete with our competitors, our business, results of operations and financial condition will be materially and adversely affected.

We have experienced significant growth during the Track Record Period. Our historical growth rate is not necessarily indicative of our future performance. We may not be able to implement our growth strategies or manage our growth effectively.

We have experienced significant growth during the Track Record Period. Our total revenue increased from RMB304.7 million for the year ended December 31, 2017 to RMB992.9 million and RMB2,258.0 million for the years ended December 31, 2018 and December 31, 2019, respectively, representing a CAGR of 172.2%. Our gross profit increased from RMB118.1 million for the year ended December 31, 2017 to RMB269.5 million and RMB647.0 million for the years ended December 31, 2018 and December 31, 2019, respectively, representing a CAGR of 134.1%.

With the rapid evolution and growth of our business during the Track Record Period, our historical growth rate is not necessarily indicative of our future performance. We cannot assure you that we will be able to achieve similar results or grow at the same rate as we did in the past. As our business and the payment and business services markets in China continue to develop, we may adjust our product and service offerings, or modify our business models. Such adjustments may not achieve expected results and may have a material and adverse impact on our financial condition and results of operations.

Further, our future success depends, to a large extent, on our ability to implement our future plans. We intend to, among other things, expand customer reach via payment services, enhance and expand technology-enabled business services and continue to invest in our infrastructure, technologies, analytics and artificial intelligence. See “Business — Our Strategies” and “Future Plans and Use of Proceeds” for detailed information of our future plans.

Our ability to grow and implement our future plans are subject to a wide range of factors, including, among others, appropriate allocation of capital investments in implementing various plans and adequate human resources. We may also be unable to realize our future plans in accordance with the expected timetable, or at all, due to other risks and uncertainties which include, among others, intensifying competition, our ability to retain key employees, our financial stability, and our business relationships with customers, suppliers and partners. The implementation of our future plans may also be hindered by other factors beyond our control, such as general market conditions and the domestic and international economic and political environment. If we fail to implement our growth strategies or manage our growth effectively, our ability to capture new business opportunities and maintain our competitive edge may be hindered, and hence our business, financial conditions, results of operations and prospects may be materially and adversely affected.

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In particular, currently the scale of our loan facilitation services is relatively small and its operation is at an early stage. Up to March 31, 2020, we have facilitated over 2,660 loan applications, with an aggregate amount of over RMB14.9 million. We face intense competition in the loan facilitation market from other service providers, who may have significantly more financial, technical, marketing and other resources than we do and may be able to devote greater resources to the development, promotion, sales and support of their platforms and services. Further, loan facilitation services are subject to evolving regulations. Developments in the financial service industry may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies that may limit or restrict loan facilitation services. We can not assure you that the plan to grow our loan facilitation services will be implemented according to schedule, or at all.

We recorded negative operating cash flows for the year ended December 31, 2017. If, in the future, we are unable to generate sufficient cash flows for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity and financial condition will be materially and adversely affected.

We recorded net cash used in operating activities of RMB22.4 million for the year ended December 31, 2017. See “Financial Information — Liquidity and Capital Resources — Cash flows — Net cash (used in)/generated from operating activities.” Negative net operating cash flow requires us to obtain sufficient external financing to meet our financial needs and obligations. If, in the future, we are unable to generate sufficient cash flows for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity and financial condition will be materially and adversely affected. We cannot assure you that we will not experience negative net operating cash flow in the future.

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

As of December 31, 2019, we had net liabilities of RMB555.5 million, mainly attributable to the significant balance of Preferred Shares, which are accounted for as liabilities. Our balance of Preferred Shares amounted to RMB922.1 million, RMB1,179.2 million and RMB1,373.4 million as of December 31, 2017, 2018 and 2019, respectively, as a result of the increase in our valuation. The Preferred Shares are designated as financial liabilities at fair value through profit or loss on the consolidated balance sheets; and the increases in fair value are recognized as fair value loss on the consolidated income statement. We will not incur any fair value loss following the Listing as all our Preferred Shares will be converted into our ordinary shares therefrom, but we may still retain accumulated losses due to the fair value loss of our Preferred Shares prior to the Listing. Under the Cayman Companies Law, we may only declare dividends out of profits or our share premium account. Therefore, such accumulated losses may adversely affect our overall ability to declare and pay dividends after the Listing by reducing our sources for potential dividend declaration and payment.

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We derive the majority of our revenue from one-stop payment services. Our efforts to expand our product and service offerings may not succeed, and may reduce our revenue growth.

We derive the majority of our revenue from service fees we collect in connection with our one-stop payment services. While we intend to continue to broaden the scope of our products and services, we may not be successful in deriving any significant revenue from them. Failure to do so may inhibit the growth of our business, as well as increase the vulnerability of our core payments business to competitors who offer a full suite of products and services. Furthermore, we may have limited or no experience in our newly expanded markets. We cannot assure you that any technology-enabled business services will be widely used. These offerings may present new technology, operational, and other challenges. If we experience service disruptions, failures, or other issues, our business may be materially and adversely affected. Our newly expanded business operations may not recoup our investments in a timely manner or at all. If any of these were to occur, it could damage our reputation, limit our growth, and materially and adversely affect our business, results of operations and financial condition.

Our results of operations and financial condition may be adversely affected by our financial assets and financial liabilities at fair value through profit or loss due to the uncertainty of accounting estimates in the fair value measurement with the use of significant unobservable inputs.

During the Track Record Period, we invested in wealth management products and other financial assets. As of December 31, 2017, 2018 and 2019, our financial assets at fair value through profit or loss amounted to nil, nil and RMB41.0 million, respectively, and our financial liabilities at fair value through profit or loss, which represented the Preferred Shares, was RMB922.1 million, RMB1,179.2 million and RMB1,373.4 million, respectively.

Our financial assets and financial liabilities are measured at fair value with significant unobservable inputs used in the valuation techniques and the changes in their fair value are recorded as other gains/(losses), net in our consolidated statements of profit or loss, and therefore directly affects our profit for the year and our results of operations. In 2017, 2018 and 2019, our losses arising from the fair value changes of the Preferred Shares amounted to RMB275.7 million, RMB213.2 million and RMB181.5 million, respectively. See Notes 19 and 30 to the Accountant's Report as set out in Appendix I for details. A variety of factors can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such assets and liabilities. These factors include general economic conditions, change in market interest rates and stability of the capital markets. Any of these factors could cause our estimates to vary from actual results and result in the substantial fluctuation in the fair value of our financial assets at fair value through profit or loss.

The success of our business depends on a strong and trusted brand. Any failure to maintain, protect, and enhance our brand would hurt our business.

We have developed a strong and trusted brand that has contributed significantly to the success of our business. Maintaining, protecting, and enhancing our brand is pertinent to expanding our customer base and business partner network, as well as increasing utilization of our products and services. Any negative publicity about our industry or our company, the quality and reliability of our products and services, our risk management processes, changes to our products and services, 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

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adversely affect our reputation and the confidence in and use of our products and services. If we can not successfully maintain a strong and trusted brand, our business could be materially and adversely affected.

If we are unable to provide customers with satisfactory experience, or otherwise fail to maintain or enlarge our customer base, the volume of transaction processed via our platform may decline and our results of operations may be adversely affected.

We believe that customer base is the core building block of our business, and our ability to provide customers with satisfactory experience is critical to our success and continuous growth in revenue and customer base. If we fail to deliver satisfactory and distinct user experience, we may lose our customers and business partners, resulting in a decrease in the volume of transaction processed via our platform, and our results of operations may be adversely affected.

Our ability to provide customers with satisfactory experience is subject to a number of factors, including our ability to provide effective services, our ability to continuously innovate and improve our products and services to meet customer needs, and our access to and cooperation with our business partners. We may lose customers and revenue, and our results of operations could be materially and adversely affected if we fail to provide satisfactory experience to our customers.

If we fail to maintain our relationships with, and properly manage the distribution channels, our business, financial condition, results of operations and reputation could be adversely affected.

We rely on our distribution channels to develop and maintain relationships with customers, and to introduce our products and services to them in a manner that is consistent with our standards and applicable regulatory requirements. Our ability to expand our payment service customer base through our distribution channels while enhancing channel management is critical for our operations. Our existing channel partners do not, and any future channel partners may not, provide for any exclusivity regarding the marketing or provision of our services. If we fail to maintain our distribution channels, our business may be adversely affected. If our relationship with any important distribution channel partner was to deteriorate, we may need to seek alternatives or devote more resources to distribute our products and services directly and support our customers. This may not be as effective and could lead to higher costs, reduced revenue and growth.

Some of our distribution channel partners may not market our products and services in an appropriate manner. If we fail to effectively monitor and manage them, we could be exposed to potential liabilities or regulatory scrutinies and our reputation, financial condition, results of operations could be adversely affected, and our reputation could be damaged.

We rely on third parties, such as payment networks, commercial banks, trust companies, insurance companies and IT infrastructure services providers, for a variety of technologies, services and infrastructure.

Our payment and business services rely on technologies, services and infrastructure offered by third parties that we do not control, such as payment networks, commercial banks, trust companies, insurance companies and telecommunication operators. We rely on them for a variety of services, including transmitting transaction data, processing chargebacks and refunds, facilitating same-day or settlement service and providing value-added services. Our IT systems and various interfaces also

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utilize or are connected to the platforms, infrastructures and technologies of these third parties. If they 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.

We are dependent on payment networks, and any changes to their rules or practices could harm our business.

Our payment service business depends on our ability to accommodate a variety of payment methods. As a result, we rely on payment networks, including UnionPay and NetsUnion to process transactions on our behalf. They may fail or refuse to process transactions adequately, may breach their agreements with us, or may refuse to renew these agreements on commercially reasonable terms. They may also take actions that downgrade the functionality of our services, impose additional costs or requirements on us, or give preferential treatments to competitive services, including that of their own. If we are unsuccessful in establishing or maintaining mutually beneficial relationships with these payment networks, our business may be harmed.

The payment networks require us to comply with their network operating rules, including special operating rules that apply to us as a provider of payment services to customers. These rules are set by the payment networks, who have the discretion to their interpretation and alteration. If there is any interpretation of, or alteration to the network rules that are inconsistent with the way we currently operate, we may be required to make changes to our business operations. This could be costly or difficult to implement. If we fail to make such changes or otherwise resolve the issue with the payment networks, we could be fined or prohibited from processing payments. In addition, violations of the network rules or failure to maintain good relationships with the payment networks could increase our costs, or otherwise harm our business. If we were unable to accept payment cards or were limited in our ability to do so, our business would be materially and adversely affected.

To process transactions, we are required to pay interchange fees to the payment networks. Payment networks have, from time to time, increased the interchange fees for transactions processed via their networks. Interchange fees are also subject to changes from time to time due to government regulations. As we generally charge customers a flat rate for our payment services, any increase or decrease in interchange fees could reduce our price competitiveness, or adversely affect our margins.

Our payment networks may delay or default on settlement of receivables with us, which could materially and adversely affect our business, financial condition and results of operations.

Our receivables from payment networks mainly represent funds received by the payment networks to be transferred to the respective payment customers in the course of our payment services. During the Track Record Period, receivables from payment networks were normally settled within several days. As of December 31, 2017, 2018 and 2019, our receivables from payment networks amounted to RMB398.3 million, RMB818.6 million and RMB800.7 million, respectively. If our payment networks delay or default on settlement of receivables with us, our business, financial conditions and results of operations could be materially and adversely affected.

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Settlement of the non-trade balance of amounts due from related parties may be delayed or defaulted on, which could adversely affect our financial condition and results of operations.

As of December 31, 2019, we had RMB30.8 million of amounts due from related parties of non-trade nature, including RMB30.0 million due from Shenzhen Chaomeng. As of December 31, 2019, an impairment provision of RMB9.5 million was made against the non-trade balance due from Shenzhen Chaomeng, based on our assessment of the expected cashflows to be generated by Shenzhen Chaomeng in its future operations and the amounts that Shenzhen Chaomeng would repay us. See “Financial Information — Selected Items from Consolidated Statements of Financial Position — Current Assets and Liabilities — Prepayments and other receivables.” If the settlement of such non-trade balance of amounts due from related parties is delayed or defaulted on, our financial condition and results of operations may be adversely affected.

Our business is dependent on the continuous improvement of our information technology systems and infrastructure. If we fail to keep up with technological developments and evolving customer demands, our business and results of operations may be materially and adversely affected.

The continuing popularity of our platform and our ability to monetize payment and business service customers and data assets depend significantly on our ability to adapt to rapidly changing technologies, as well as our ability to continually innovate and improve our information technology systems and infrastructure in response to evolving customer demands and intense market competition. Failure to act effectively in any of these areas may materially and adversely affect our business and results of operations.

Enhancing existing technologies and incorporating new technologies into our platform involve numerous technical challenges, and require substantial devotion of capital, personnel and time. We may not be able to address these challenges effectively due to numerous factors, some of which are beyond our control. If we fail to retain or expand our customer base or maintain customer activity levels on our platforms, less data will be available for analysis, negatively affecting predictive ability of our system.

Failure to anticipate or successfully implement new technologies could negatively impact our competitiveness, and reduce our revenue and market share. Although we have been, and will continue to devote significant resources to enhance and develop our technologies and services, we may not be able to do it on a timely basis, or at all, which may decrease customer satisfaction. In addition, new technologies may not succeed or integrate well with our existing systems and infrastructure, and even if integrated, may not function as expected.

The introduction of digital currency electronic payment by the PBOC may pose new challenges to the payment service 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 service industry. In particular, it is not entirely clear as to how the DC/EP will fit into the current mobile payment ecosystem. New payment methods may arise as a result of the DC/EP,

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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 significant disruption in service on our platform, malfunctions of our technology systems, errors and quality issues in our software, hardware, and systems, or human errors in operating these systems, could materially and adversely affect our business, financial condition and results of operation.

Our business is dependent on the ability of our information technology systems to stably and timely process a large amount of information and transactions. Our IT infrastructure at multiple locations in Shenzhen are hosted by Shenzhen Telecom. The satisfactory performance, reliability and availability of our technology and underlying network infrastructure are critical to our operations, service quality, reputation and ability to retain and attract customers. We cannot guarantee that access to our platform will be uninterrupted, error-free, or secure. Our operations depend on the ability of the host of our system hardware to protect its and our systems in its facilities against damage or interruption from natural disasters, power or telecommunications failures, air quality, temperature, humidity and other environmental concerns, computer viruses or criminal acts. If our arrangement with the current host is terminated, or there is a lapse of service or damage to the host's facilities, we could experience interruptions in our service as well as delays and incur additional expenses in arranging new facilities. In the event of a partial or complete failure of any of our computer systems, our business activities would be materially disrupted. In addition, a prolonged failure of our information technology system could damage our reputation and materially and adversely affect our future prospects and profitability.

Our software, hardware, and systems may contain undetected errors, that could have a material adverse impact on our business, particularly where such errors are not timely detected and remedied. There may be defects in our customer-facing software and hardware, internal systems, and technical integrations with third-party systems of our channel partners, and new errors may be introduced in the future. In addition, our technology-enabled business services use complex software, and may have coding defects or errors that may impair our customers' ability to use our products and services. The models and algorithms that we used for business services may also contain design or performance defects that are not detectable even after extensive internal testing. We cannot assure you that we would be able to detect and resolve all such defects and issues through our quality control measures.

Any errors, defects, disruptions in services, or other performance problems with our services could hurt our reputation and damage our customers' businesses. Software and system errors, or human error, could delay or inhibit settlement of payments, result in over-settlement, cause reporting errors, or prevent us from collecting transaction fees or providing business services. 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.

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Our operations depend on the performance of the internet and mobile internet infrastructure, and telecommunications networks in China, which may not be able to support the demands associated with our continued growth.

Almost all access to the internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. We 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 in China. We cannot assure you that these infrastructures will be able to support the demands associated with our continued growth in usage.

There is an increasing trend of accessing the internet through smart phones, tablets and other mobile devices. As new devices, new mobile platforms and updates to such devices and platforms are continually being released, we may encounter problems in developing our mobile app for use on these devices, and we may need to devote significant resources to creating, supporting and maintaining our mobile app on such devices.

Our payment terminals and accessories are procured from a limited number of suppliers. We are at risk of shortage, price increases, changes, delay, or discontinuation, which could disrupt and materially and adversely affect our business.

Our payment terminals and accessories come from limited sources of supply. Our contract manufacturers fabricate or procure components on our behalf, subject to certain approved procedures or supplier lists. We do not have firm commitments from all of these suppliers to provide all components, or to provide them in quantities and on timelines that we may require. In addition, if our relationships with wholesalers deteriorate, we may need to procure certain supplies directly from manufacturers, at less favorable price and terms, which will increase our cost of purchase. See "Business — Suppliers and Our Cooperation with Financial Institutions — Payment Terminal Suppliers." Due to our reliance on products provided by these suppliers, we are subject to the risk of shortages and long lead times in the supply of certain components or products.

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 transit or storage, could limit the supply of our products. In the event of a shortage or supply interruption from suppliers of these components, 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 parts or components from alternate sources at acceptable prices and within a reasonable amount of time, would harm our ability to provide our products to customers on a timely basis. Further, if our suppliers fail to deliver sufficient quantities of that product to meet our requirements, we may experience a shortage of that product available for sale or distribution. The shortage of a popular product could materially and adversely affect our brand and our customer relationships.

Revenue contributed by our five largest marketing service customers accounted for a substantial portion of our marketing service revenue. Failure to retain business relationship or secure new business with them may adversely affect our results of operations and financial condition.

For the year ended December 31, 2017, 2018 and 2019, our five largest marketing service customers contributed to 66.3%, 39.4% and 90.3% of our marketing service revenue, respectively.

Our agreements with the major marketing service customers do not obligate them to engage us for any designated level of marketing services. As such, we cannot assure you that these major customers will continue to conduct business with us at the same level or at all. In the event that we are unable to maintain the level of business from our major marketing service customers, and to secure a similar level of business from other marketing service customers on comparable commercial terms, our results of operations and financial condition could be adversely affected. In addition, if our major marketing service customers are unwilling or unable to make timely payments, we may be unable to recover significant amounts of trade receivables and as such, our cash flows and financial position could be adversely affected.

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

We are subject to various kinds of risks, including business risks, operational risks and financial risks. Currently, we rely on our data driven risk management system, and internal control policies and procedures to address and mitigate these risks. See “Business — Risk Management and Internal Control.” Furthermore, we have limited operational experience in the provision of technology-enabled business services. Our limited experience may render risk management less effective in addressing some of the risks, exacerbating our risk exposure. Additionally, our data-driven risk management system, and internal control policies and procedures may not be able to exhaustively mitigate our exposure to these risks. We cannot assure you that our assessment and monitoring of risks will always be sufficient. Any insufficiency in our risk management system and internal control policies and procedures may have a material adverse effect on our business, results of operations and financial condition.

Fraudulent and fictitious transactions, and misconducts committed by our employees, customers, distribution channels and other third parties may pose challenges to our risk management capabilities, and failure to manage the related risks may adversely affect our business, financial condition, and results of operations.

Offering payment services to a large number of customers, we may be subject to liability for fraudulent payment transactions by customers, in particular, fraudulent chargeback and use of counterfeit cards. Fraud or other misconducts committed by our employees, customers, distribution channels or other third parties may be difficult to detect or prevent and could subject us to financial losses and regulatory sanctions as well as seriously damage our reputation. We cannot assure you that all of our employees, customers and other third parties will fully comply with our risk management policies, measurements and procedures for preventing fraud and other misconducts or that we will always be able to identify and prevent all fraud and other misconducts by our employees, customers and other third parties. Future fraud or other misconducts by our employees, customers and other third parties could damage our reputation and have a material adverse effect on our business, financial condition, results of operations and prospects.

Fraudulent activities have become increasingly sophisticated. Incidents of frauds could increase in the future. Our measures to detect and reduce the risk of fraud need to be continually improved to effectively guard against new and evolving forms of fraud, or frauds in connection with our new products and services. Substantial costs may be incurred in improving such security measures. Failure to effectively identify and address these risks could lead to losses, regulatory penalties or even regulatory restrictions to our business operations, which will adversely affect our business, financial condition, and results of operations. See “Business — Risk Management and Internal Control — Business Risks — Fraud.”

Our fintech services are subject to risks relating to credit assessment and general macroeconomic conditions. Our current risk management system may not be able to exhaustively assess or mitigate all risks to which we are exposed.

We bear the credit risks of entrusted loans and facilitated loans that we provide guarantee to. See “Business — Risk Management and Internal Control — Business Risk — Credit Assessment.” We rely on our proprietary credit assessment model in assessing the creditworthiness of customers, and the risks associated with loans. We continuously refine the algorithms, data processing and machine

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learning used by our credit assessment model, but if any of these decision-making and scoring systems contain programming or other errors, are ineffective or the data provided by borrowers or third parties are incorrect or stale, our loan pricing and approval process could be negatively affected, resulting in mispriced or misclassified loans or incorrect approvals or denials of loans. Inability to effectively and accurately assess their credit profiles or price loan products appropriately, could materially harm our fintech services business.

Further, our credit risk management depends on the evaluation of information regarding customers and other relevant matters, which may be inaccurate, incomplete, obsolete or improperly evaluated. In addition, for most of our loan products, generally less documentation is required from applicants than that would otherwise be required by traditional banks for credit assessment and approval, which further limits the credit information of certain applicants available to us and may result in increasing risks. In addition, we have limited operational experience in providing loan facilitation services and entrusted loans. Our limited experience may render our risk management less effective in addressing some of the risks which in turn could exacerbate our credit risk.

Adverse changes in macroeconomic conditions could lead to a decrease in the number of customers suitable for loan and cash advances. It also strains our ability to correctly identify such customers, and manage risk of default or fraud. Similarly, if we fail to correctly predict level of risk of such customers, our business may be materially and adversely affected.

We intend to continue to explore other models and structures for our fintech services, including lending and other forms of credit. Some of those models or structures would require, or be deemed to require, additional procedures, partnerships, licenses, or capabilities that we have not yet obtained or developed. Should we fail to expand and evolve our fintech services in this manner, or should these new models or structures, or new regulations or interpretations of existing regulations, impose requirements on us that are impractical or that we cannot satisfy, the future growth and success of our fintech services may be materially and adversely affected.

If our debt collection efforts are ineffective, our business, financial condition and results of operations may be adversely affected.

We have implemented collection policies to optimize the repayment process. Our collection process includes sending repayment reminders, engaging outsourced collection specialists to collect overdue sums, and taking legal action against the default customer when necessary. Despite our efforts, we cannot assure you that we will be able to collect overdue loans as expected. If we fail to adequately collect amounts owed, our business, financial conditions, results of operations and relationship with our financial institution partners may be adversely affected.

Because we bear the credit risk for entrusted loans and facilitated loans that we provide guarantee to, we also recognize impairment losses for default loans in these arrangements. For the year ended December 31, 2017, 2018 and 2019, we incurred impairment losses on loan receivables of RMB0.4 million, RMB1.5 million, and RMB17.9 million, respectively. Our financial conditions will be adversely affected if the expected credit loss rate of our loans rises.

Moreover, we cannot guarantee that we could effectively control every aspect of debt collection procedures. For instance, although we have policies in place to prevent third-party collection specialists from engaging in aggressive or illegal practices, we cannot assure you that they will abide by these policies in the course of collection. Any such misconduct may adversely affect our reputation and business.

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The development of our fintech services is capital intensive. Restrictions in our capital raising arrangements and inability to obtain additional financing may materially and adversely affect our business.

The development of our fintech services is capital intensive. 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.

Our business is subject to complex and evolving regulations and oversight related to data security. Personal data and other confidential information that we collect or are provided access to may subject us to liabilities imposed by relevant governmental regulations.

Our services involve the storage and transmission of customers' identification information, transaction information, and sensitive information. The PRC government has various regulations in place restricting companies from collecting and using protected data. See "Regulatory Overview — Regulations on Personal Information and Privacy Protection." Under applicable laws and regulations, we are obliged to keep protected customer information confidential in accordance with the law and not to disclose it to the public. Specifically, personally identifiable and other confidential information is increasingly subject to legislation and regulations in numerous domestic and international jurisdictions, the intent of which is to protect the privacy of personal information that is collected, processed and transmitted in or from the governing jurisdiction. This regulatory framework for privacy issues in China and worldwide is currently evolving and is likely to remain uncertain for the foreseeable future.

In addition to laws, regulations and other applicable rules regarding privacy and privacy advocacy, industry groups or other private parties may propose new and different privacy standards. Because the interpretation and application of privacy and data protection laws and privacy standards are still uncertain, it is possible that these laws or privacy standards may be interpreted and applied in a manner that is inconsistent with our practices. Inability to adequately address privacy concerns, even if unfounded, or to comply with applicable privacy or data protection laws, regulations and privacy standards, could result in additional cost and liability for us, damage our reputation, inhibit the use of our platform and harm our business. With the promulgation of new laws and standards 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. If we fail to comply with these laws and regulations, we may be subject to fines or other penalties.

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If we fail to prevent the loss or misappropriation of our intellectual property rights, we may lose our competitive edge. The value of our services and our brand, and our reputation and operations, may be materially and adversely affected.

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 trademarks, domain names, copyrights, trade secrets, 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 products and services. 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 or other allegations by third parties, which may materially and adversely affect our business, results of operations and prospects.

We depend 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 products and 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, particularly in China, are still evolving. We may face allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including our competitors, or allegations that we are involved in unfair trade practices. As we face increasing competition and as litigation becomes a more common method for resolving commercial disputes in China, 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.

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Our success largely depends on senior management, as well as our experienced and capable employees.

Our future success depends upon the continued service of our senior management and other experienced and capable employees. We depend upon the ability and experience of a number of our senior management who have significant experience with our operations, the rapidly changing payments and business services industry and the selected markets in which we offer our products and services. The loss of the services of one or a combination of our senior management or key employees could have a material adverse effect on our results of operations.

To maintain and grow our business, we will need to identify, hire, develop, motivate and retain highly skilled employees, which requires significant time, expense, and attention. In addition, from time to time, there may be changes in our management team that may be disruptive to our business. If our management team members, including any new hires that we make, fail to work together effectively and to execute our plans and strategies on a timely basis, our business could be harmed. Competition for highly skilled personnel is intense. We may need to invest significant amounts of expense and other efforts to attract and retain new employees, and we may never realize returns on these investments. If we are not able to add and retain employees effectively, our ability to achieve our strategic objectives will be adversely affected, and our business and growth prospects will be harmed.

We have limited insurance coverage and may incur losses resulting from business interruptions.

We do not have any business interruption insurance. Based on the insurance products available in China, even if we decide to take out business interruption coverage, such insurance as is currently available offers limited coverage compared with that offered in many other jurisdictions. Any business disruption or natural disaster could result in our incurring substantial costs and diversion of resources, which would have an adverse effect on our business and results of operations.

We are subject to anti-money laundering laws and regulations.

We are required by the PBOC to comply with certain anti-money laundering requirements, including the establishment of a customer identification program, the monitoring and reporting of suspicious transactions, the preservation of customer information and transaction records, and the provision of assistance to public security departments and judicial authorities in investigations and proceedings in relation to anti-money laundering matters. These laws and regulations require us to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting obligations. The anti-money laundering policies and procedures we have adopted may not be effective in protecting our services from being exploited for money laundering purposes. Our failure to comply with the laws and regulations will subject us to fines or other penalties levied by regulators, which may negatively affect our results of operations. If the remedial measures we have undertaken are 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.

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We may be subject to liability for placing advertisements with content that is deemed inappropriate or misleading.

PRC laws and regulations prohibit companies from producing, distributing or publishing any advertisement with content that violates PRC laws and regulations, impairs the national dignity of China, involves designs of the PRC national flag, national emblem or national anthem or the music of the national anthem, or content that is considered reactionary, obscene, superstitious or absurd, is fraudulent, or disparages similar products. As we provide marketing services to customers, we are required to verify, record and update the identity information of those who choose to place their advertisements on our platform on a regular basis. We must also review supporting documents provided by advertisers and verify the content of the advertisements, and are prohibited from publishing any advertisement that lacks or is inconsistent with supporting documents. While we do have a review procedure prior to publishing, we cannot guarantee that we can eliminate all advertisements with content that would be deemed inappropriate or misleading. If we are deemed violating PRC law or regulations, we may be subject to penalties, including suspension of publishing, confiscation of the revenues related to these advertisements, levying of fines and suspension or termination of our marketing services business, any of which may materially and adversely affect our business.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the Contractual Arrangements do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our PRC Consolidated Entities.

Current PRC laws and regulations impose certain restrictions on foreign ownership of companies that engage in value-added telecommunications services and fintech services.

We are a company incorporated under the laws of the Cayman Islands, and Yeahka WFOE, our wholly-owned PRC subsidiary, is considered a foreign-invested enterprise. To comply with PRC laws and regulations, we conduct substantially all of our business in China through our PRC Operating Entities. Because of the Contractual Arrangements, we are the primary beneficiary of the PRC Consolidated Entities and consolidate their results of operations into ours. Our PRC Consolidated Entities hold the licenses, approvals and key assets that are essential for our business operations.

If the PRC government finds that our Contractual Arrangements do not comply with its restrictions on foreign investment in businesses, or if the PRC government otherwise finds that we or our PRC Consolidated Entities are in violation of PRC laws or regulations, or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including the PBOC, the MOFCOM and the MIIT, would have broad discretion in dealing with such violations or failures, including, without limitation:

- requiring the nullification of the Contractual Arrangements;
- revoking our business and operating licenses; discontinuing or restricting our operations;
- imposing fines or confiscating any of our income which is deemed to have been obtained through illegal operations;

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- imposing conditions or requirements with which we or Yeahka WFOE and our PRC Consolidated Entities may not be able to comply;
- requiring us or Yeahka WFOE and our PRC Consolidated Entities to restructure the relevant ownership structure or operations, or to re-apply for the necessary licenses, or to relocate our businesses, staff and assets;
- restricting or prohibiting our use of the proceeds from the Global Offering or other of our financing activities to finance the business and operations of our PRC Consolidated Entities; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear whether PRC government actions would have any impact on us, and our ability to consolidate the financial results of any of our PRC Consolidated Entities in our consolidated financial statements, if the PRC governmental authorities find our legal structure and Contractual Arrangements to be in violation of PRC laws, rules and regulations.

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

On March 15, 2019, the National People's Congress approved the Foreign Investment Law (the "FIL") which came into effect on January 1, 2020. The FIL replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law (《外資企業法》), together with their implementation rules and ancillary regulations, becoming the legal foundation for foreign investment in the PRC. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

Under the FIL, "foreign investment" refers to the investment activities directly or indirectly carried out in the PRC by one or more foreign natural persons, enterprises or other organizations (the "**Foreign Investor(s)**"). The FIL specifically stipulates three forms of foreign investment, namely, (a) establishment of a foreign invested enterprise in the PRC by a Foreign Investor, either individually or collectively with any other investor, (b) obtaining shares, equities, assets interests or any other similar rights or interests of an enterprise in the PRC by a Foreign Investor; and (c) investment in any new construction project in the PRC by a Foreign Investor, either individually or collectively with any other investor, and does not explicitly stipulate contractual arrangements as a form of foreign investment. However, there is a catch-all provision under the definition of "foreign investment" to include investments made by Foreign Investors in China, through means stipulated by laws or administrative regulations, or other methods prescribed by the State Council. Therefore, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, which would render it

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uncertain as to whether foreign investment via contractual arrangements would be deemed violation of the foreign investment access requirements, and how the above-mentioned Contractual Arrangements would be regulated.

On December 26, 2019, the State Council released 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》) (the “**FIL Implementing Regulations**”) which took effect on January 1, 2020. See “Regulatory Overview — Foreign Investment Law (2019).”

There is no guarantee that the Contractual Arrangements and our business will not be materially and adversely affected in the future as a result of changes in PRC laws and regulations. If future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be completed by companies with existing contractual arrangements, we may face substantial uncertainties as to whether such actions can be timely completed, or at all. Failure to take timely and appropriate measures to cope with any of these, or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

In the extreme scenario, we may be required to unwind the Contractual Arrangements and/or dispose of our PRC Consolidated Entities, which could have a material and adverse effect on our business, financial condition and results of operations. In the event that we no longer have a sustainable business after the aforementioned unwinding of the Contractual Arrangements or disposal of our PRC Consolidated Entities or such measures are not complied with the relevant laws and regulations, the Stock Exchange may take enforcement actions against us, which may have a material adverse effect on the trading of our Shares or even result in delisting of our Company. For details of the FIL and the Negative List, and its potential impact on us, see “Contractual Arrangements — Development in Legislation on Foreign Investment in Mainland China.”

Therefore, there is no guarantee that our Contractual Arrangements and the business of our PRC Consolidated Entities will not be materially and adversely affected in the future.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. Our PRC Consolidated Entities may fail to perform their obligations under our Contractual Arrangements.

Due to the PRC restrictions or prohibitions on foreign ownership of value-added telecommunications services and fintech services in China, we operate a portion of our business in China through our PRC Consolidated Entities, in which we have no direct ownership interest. We rely on a series of Contractual Arrangements with our PRC Consolidated Entities and their shareholders to control and operate their business. These Contractual Arrangements are intended to provide us with effective control over our PRC Consolidated Entities, and allow us to obtain economic benefits from them.

The Contractual Arrangements may not be as effective as direct ownership in providing us with control over our PRC Consolidated Entities. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of our PRC Consolidated Entities, which, in turn, could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the Contractual Arrangements, as a legal matter, if our PRC Consolidated Entities or their shareholders fail to perform its, his or her respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend

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significant resources to enforce those arrangements and resort to litigation or arbitration and rely on legal remedies under PRC laws. For example, if the shareholders of our PRC Consolidated Entities were to refuse transferring their equity interests in our PRC Consolidated Entities to us or our designee when we exercise the call option pursuant to the Contractual Arrangements, or if they were otherwise to act in bad faith toward us, we might have to take legal action to compel performance of their respective contractual obligations. Also see “— Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.”

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

Our PRC Consolidated Entities hold assets that are material to our business operations. The Contractual Arrangements with our PRC Consolidated Entities contain terms that specifically obligate their shareholders to ensure the valid existence of our PRC Consolidated Entities. They also provide that our PRC Consolidated Entities may not be voluntarily liquidated. However, should the shareholders breach this obligation and voluntarily liquidate our PRC Consolidated Entities, or should our PRC Consolidated Entities declare bankruptcy, all or part of their assets may become subject to liens or rights of third-party creditors and we may be unable to continue some or all of our business operations, which could materially adversely affect our business, financial condition and results of operations.

The Registered Shareholders of Shenzhen Yeahka may have conflicts of interest with us, which may materially and adversely affect our business.

We have designated individuals, who are PRC nationals to be the Registered Shareholders of Shenzhen Yeahka.

We cannot assure you, however, that when conflicts of interest arise, these individuals and entities will act in the best interests of our Company or that conflicts of interest will be resolved in our favor. In the event of any such conflicts of interest, these individuals and entities may breach or cause our PRC Consolidated Entities to breach or refuse to renew the Contractual Arrangements that allow us to effectively control and receive economic benefits from our PRC Consolidated Entities. If we cannot resolve any conflict of interest or dispute between us and the Registered Shareholders of Shenzhen Yeahka should it arise, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings. These uncertainties may impede our ability to enforce the Contractual Arrangements with Shenzhen Yeahka and their Registered Shareholders. If we are unable to resolve any such conflicts, or if we experience significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation.

Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

The Contractual Arrangements provide for dispute resolution by way of arbitration in the Shenzhen Court of International Arbitration (“SCIA”), in accordance with the then effective arbitration rules. The arbitration shall be conducted in Shenzhen.

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The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of PRC Consolidated Entities, injunctive relief and/or order the winding up of PRC Consolidated Entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in PRC Consolidated Entities in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. PRC laws allow the arbitral body to grant an award of transfer of assets of or equity interests in PRC Consolidated Entities in favor of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures.

Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against our PRC Consolidated Entities as interim remedies for the purpose of protecting assets or equity interests in favor of any aggrieved party. In case the Contractual Arrangements provide that courts in competent jurisdictions may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if granted by courts in competent jurisdictions in favor of an aggrieved party) may still not be recognized, or enforced by PRC courts. As a result, in the event that our PRC Consolidated Entities or the Registered Shareholders of Shenzhen Yeahka breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our PRC Consolidated Entities and conduct our business could be materially and adversely affected.

Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements among Yeahka WFOE and our PRC Consolidated Entities do not represent an arms-length price and adjust our PRC Consolidated Entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our PRC Consolidated Entities, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to our PRC Consolidated Entities for under-paid taxes. Our results of operations may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

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If we exercise the option to acquire equity ownership and assets of our PRC Consolidated Entities, the ownership or asset transfer may subject us to substantial costs.

Pursuant to the Contractual Arrangements, Yeahka WFOE has the exclusive right to purchase all or any part of the equity interests in each of our PRC Consolidated Entities from their Registered Shareholders at the lowest price permitted by PRC law, and where PRC laws and regulations require valuation of the equity interest, the parties shall re-negotiate in good faith, and make adjustments based on the valuation to comply with the requirements of PRC laws and regulations. Yeahka WFOE also has the exclusive right to purchase all or any part of the assets in each of our PRC Consolidated Entities from their Registered Shareholders at the lowest price permitted by PRC law. Where PRC laws and regulations require valuation of the assets, the parties shall re-negotiate in good faith, and make adjustments based on the valuation to comply with the requirements of PRC laws and regulations. In the event of such transfer, the lowest price permitted by PRC law may be substantially higher than the aforesaid actual capital contributions in case of purchasing the equity interests, or the net book value of relevant assets, or the competent tax authority may require Yeahka WFOE to pay enterprise income tax, value-added tax and other applicable taxes with reference to the fair value of such assets instead of the price as stipulated under the Contractual Arrangements, in which case Yeahka WFOE may be subject to a substantial amount of tax and our financial condition may be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN CHINA

The PRC legal system is not fully developed, and there are inherent uncertainties that may affect the protection afforded to our business and our shareholders.

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. Our PRC subsidiaries and PRC Consolidated Entities are subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new, and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform, and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection available to us than in more developed legal systems. Furthermore, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China, could materially and adversely affect our business and impede our ability to continue our operations.

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It may be difficult to effect service of process, enforce foreign judgments and arbitral awards against us or our Directors and senior management.

We are incorporated in the Cayman Islands. Almost all our assets and operations are located in China, and a majority of our Directors and senior management are not located in Hong Kong. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or these individuals. Moreover, China does not have treaties with most of the other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards.

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》) ("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》) ("2019 Arrangement"). 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 remains uncertainties as to the outcome of any applications to recognize and enforce such judgments and arbitral awards in China.

Furthermore, an original action may only be brought in China against us or our Directors and senior management if the actions are not required to be arbitrated by PRC law 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 investors will be able to bring an original action in China in this manner.

Government control of currency conversion and future fluctuation of Renminbi exchange rates could have a material adverse impact on our results of operations and financial condition, and may reduce the value of, and dividends payable on, our Shares in foreign currency terms.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our Company in the Cayman Islands relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without the prior approval of the SAFE, by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the

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remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulations, such as the overseas investment registration by the beneficial owners of our Company who are PRC residents. However, approval from or registration with appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies.

In light of the flood of capital outflows of China in 2016 due to the weakening of Renminbi, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement. More restrictions and substantial vetting processes have been put in place by the SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

The value of Renminbi against the HK dollar, the U.S. dollar and other currencies fluctuates, is subject to change resulting from the PRC government's policies, and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. We had currency translation gains of RMB35.3 million for the year ended December 31, 2017, while we incurred currency translation losses of RMB41.2 million and RMB20.0 million for the years ended December 31, 2018 and 2019, respectively. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the HK dollar, the U.S. dollar or other currencies in the future.

The proceeds from the Global Offering will be received in HK dollars. As a result, any appreciation of the Renminbi against the HK dollar may result in a decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, the Shares in foreign currency terms. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to obtain the SAFE's approval before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

We may be classified as a PRC resident enterprise for PRC enterprise income tax purposes under the EIT Law, and our income may be subject to PRC withholding tax under the EIT Law.

Under the EIT Law, which was last amended on December 29, 2018, and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within China is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control over, and overall management of, the business, production, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued a circular, known as Circular 82, which was last amended on December 29, 2017. Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like ourselves, the criteria set forth in the circular may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a

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PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise's primary assets, accounting books and records, company seal, and board and shareholder resolutions, are located or maintained in China; and (iv) at least 50% of voting board members or senior executives habitually reside in China.

We believe none of our entities outside of the PRC is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities, and uncertainties remain with respect to the interpretation of the term "de facto management body." As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that our Company or any of our subsidiaries outside of the PRC is a PRC resident enterprise for PRC enterprise income tax purposes, then our Company or such subsidiary could be subject to PRC tax at a rate of 25% on its worldwide income, which could materially reduce our net profit. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

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

The Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), (or the "M&A Rules"), adopted by six PRC regulatory agencies in 2006 and amended in 2009, and other regulations and rules concerning mergers and acquisitions, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that the MOFCOM shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the abovementioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of the Global Offering to make loan or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with the relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System (or "FICMIS"), and registration with other governmental authorities in China. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with the SAFE or its local branches, and (ii) each of our PRC subsidiaries may not procure loans which exceed the difference between its registered capital and its total investment amount as recorded in FICMIS. Any medium or long-term loan to be provided by us to our consolidated variable interest entity must be recorded and registered by the NDRC and the SAFE or its local branches. We may not be able to complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such recording or registrations, our ability to use the proceeds of the Global Offering and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business. On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19. SAFE Circular 19 took effect as of June 1, 2015. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using the RMB fund converted from their foreign exchange capitals for expenditures beyond their business scope. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions over Capital Account Foreign Exchange, or SAFE Circular 16. SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using the RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, investment and financing (except for securities investment or non-guaranteed bank products), providing loans to non-affiliated enterprises or constructing or purchasing real estate other than for self-use. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to and use in China the net proceeds from the Global Offering, which may adversely affect our business, financial condition and results of operations.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

Under the PRC EIT Law and the EIT Rules, its implementation regulations, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, we may be deemed as a PRC resident enterprise by the PRC tax authorities for tax purpose. PRC income tax at the rate of 10% is applicable to dividends payable by a PRC "resident enterprise" to investors that are "non-resident enterprises" (i.e., those enterprises that do not have an establishment or place of business in China, or those that have such an establishment or place of business but the relevant income of which is not effectively connected with the establishment or place of business) to the extent such dividends have their source within China. Similarly, any gain realized on the transfer of shares by such enterprises is also subject to 10% PRC income tax if such

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gain is regarded as income derived from sources within China. If the dividends we pay to our shareholders are regarded as income derived from sources within China, we may be required to withhold a 10% PRC withholding tax for the dividends we pay to our investors who are non-PRC enterprise shareholders, or a 20% withholding tax for the dividends we pay to our investors who are non-PRC individual shareholders, including the holders of our Shares.

Under PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

If we are treated as a PRC resident enterprise as described under the risk factor headed “— We may be classified as a PRC resident enterprise for PRC enterprise income tax purposes under the EIT Law, and our income may be subject to PRC withholding tax under the EIT Law,” dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within China and as a result be subject to the PRC income taxes described above. However, shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties may apply to the PRC tax authorities to be recognized as eligible for such benefits in accordance with the Announcement of the SAT on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》), which was issued on August 27, 2015 and was latest amended on June 15, 2018. If determined to be ineligible for the applicable tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would subject to higher PRC tax rates. In such cases, the value of your investment in our Shares may be materially and adversely affected.

The heightened scrutiny over indirect transfers of PRC assets by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

Pursuant to the Notice on Strengthening the Administration on Enterprise Income Tax for Non-resident Enterprise Equity Transfer (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the “**SAT Circular 698**”) issued by the SAT in December 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas non-public holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5% or (ii) does not impose income tax on foreign income of its residents, the non-resident enterprise, being the transferor, must report such Indirect Transfer to the competent tax authority of the PRC resident enterprise. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

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On February 3, 2015, the SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the “**SAT Public Notice 7**”). SAT Public Notice 7 supersedes the rules with respect to the Indirect Transfer under SAT Circular 698, but does not touch upon the other provisions of SAT Circular 698. SAT Public Notice 7 has introduced a new tax regime that is significantly different from the previous one under SAT Circular 698. SAT Public Notice 7 extends its tax jurisdiction to not only Indirect Transfers set forth under SAT Circular 698 but also transactions involving transfer of other taxable assets through offshore transfer of a foreign intermediate holding company. In addition, SAT Public Notice 7 provides clearer criteria than SAT Circular 698 for assessment of reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Public Notice 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. Where a non-resident enterprise transfers taxable asset indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

On October 17, 2017, SAT issued a Public Notice of SAT on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《關於非居民企業所得稅源泉扣繳有關問題的公告》) (the “**SAT Public Notice 37**”), which, among others, repeals the Circular 698 on December 1, 2017. SAT Public Notice 37 further details and clarifies the tax withholding methods in respect of income of non-resident enterprises under Circular 698. And certain rules stipulated in SAT Public Notice 7 are replaced by SAT Public Notice 37. Where the non-resident enterprise fails to declare the tax payable pursuant to Article 39 of the Enterprise Income Tax, the tax authority may order it to pay the tax due within required time limits, and the non-resident enterprise shall declare and pay the tax payable within such time limits specified by the tax authority; however, if the non-resident enterprise voluntarily declares and pays the tax payable before the tax authority orders it to do so within required time limits, it shall be deemed that such enterprise has paid the tax in time.

There are uncertainties as to the application of SAT Public Notice 7 and SAT Public Notice 37. For example, while the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with the PRC. Moreover, the relevant authority has not yet promulgated any formal provisions or made any formal declaration as to the process and format for reporting an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. SAT Public Notice 7 and SAT Public Notice 37 may be determined by the tax authorities to be applicable to previous investments by non-resident investors in our Company, if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our existing non-resident investors may become at risk of being taxed under SAT Public Notice 7 and SAT

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Public Notice 37 and may be required to expend valuable resources to comply with SAT Public Notice 7 and SAT Public Notice 37 or to establish that we should not be taxed under SAT Public Notice 7 and SAT Public Notice 37, which may have a material adverse effect on our financial condition and results of operations or such non-resident investors' investments in us. We have conducted and may conduct acquisitions involving changes in corporate structures, and historically our shares were transferred by certain then shareholders to our current shareholders. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

Our Shareholders may not have the same protection of their shareholder rights under Cayman Islands law comparing to what they would have under Hong Kong law.

Our corporate affairs are governed by our Memorandum of Association and Articles of Association, the Companies Law, and the common law of the Cayman Islands. The rights of Shareholders to take action against the Directors, the rights of minority Shareholders to institute actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be the same as they would be under statutes or judicial precedent of other jurisdictions.

Regulations relating to offshore investment activities by PRC residents may subject us to fines or sanctions imposed by the PRC government, including restrictions on our PRC subsidiaries' abilities to pay dividends or make distributions to us and our ability to increase investment in our PRC subsidiaries.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment, Financing and Roundtrip Investment Through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "SAFE Circular 37"), to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents' Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the "SAFE Circular 75"), which ceased to be effective upon the promulgation of SAFE Circular 37. SAFE Circular 37 requires PRC residents to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities.

To our best knowledge, all our shareholders who are subject to the regulations have registered with the SAFE for their respective investment in us. However, we cannot assure you that all of our shareholders who are PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements required by SAFE Circular 37 or other related rules. Any future failure by any of our shareholders who is a PRC resident, or controlled by a PRC resident, to comply with relevant requirements under this regulation could subject us to fines or sanctions imposed by the PRC government, including restrictions on our PRC Operating Entities' abilities to pay dividends or make distributions to us and our ability to increase investment in our PRC subsidiaries.

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Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in China 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 or Ebola virus, 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. 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 China 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 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.

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations among our Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering.

The price of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in mainland China that have listed their securities in Hong Kong may affect the volatility in the price of our Shares. The stock prices of a number of PRC-based companies recently listed in Hong Kong experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance. In addition to market and industry factors, the price for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, earnings and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the price of our Shares.

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As the Offer Price of our Shares is substantially higher than the consolidated net tangible book value per share, purchasers of our Shares in the Global Offering may experience immediate dilution upon such purchases.

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

Certain facts, forecasts and statistics contained in this prospectus are derived from various official or third-party sources and may not be accurate, reliable, complete or up to date, and statistics in the prospectus provided by Oliver Wyman are subject to assumptions and methodologies set forth in the "Industry Overview" section of this prospectus.

We have derived certain facts and other statistics in this prospectus, particularly the section headed "Industry Overview", from information provided by the PRC and other government agencies, industry associations, independent research institutes and other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Underwriters or any of our or their respective affiliates or advisors, and, therefore, we cannot assure you as to the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled inside or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable with statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such information or statistics.

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

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there may have been press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

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

Our Company was incorporated in the Cayman Islands with limited liability under the laws of the Cayman Islands on September 8, 2011. The headquarters of our Group are located in the PRC. Our Company has three executive Directors and a total of two senior management members. Among them, only one executive Director of our Group currently resides in Hong Kong. We are principally engaged in providing payment services and business services to merchants and consumers in the PRC. Substantially all of the business operations and management functions of our Group are carried out in the PRC.

We do not and, in the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Therefore, our Company have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules on the following grounds:

- (a) Mr. Liu and Mr. Yao Zhijian, the executive Directors of our Group, are expected to continue to be, based in the PRC as it would be more effective and efficient for them to be based in or near the headquarters of the Group and the location where substantially all of the business operations and management functions of our Group are carried out;
- (b) for the purpose of the management and operations of our Group, the appointment of additional executive Directors who are ordinarily resident in Hong Kong would unnecessarily increase the administrative expenses of our Company. In addition, appointing new executive Directors, who may not be familiar with the operations of the Company, to the Board for the sole purpose of satisfying the requirements under Rule 8.12 of the Listing Rules may not be in the best interests of our Company and Shareholders as a whole; and
- (c) Mr. Luo Xiaohui and Mr. Wu Gang, as members of the senior management of our Group, have a vital role in our Group's business operations and it is important for them to remain physically close to our Group's central management and operations located in the PRC.

In light of the above, our Directors consider that maintaining management presence in Hong Kong as required under Rule 8.12 of the Listing Rules would draw upon our Group's key management resources and is therefore not beneficial to or appropriate for our Group.

We understand that the primary concern of the Stock Exchange under Rule 8.12 of the Listing Rules is to ensure that there is an effective channel of communication between the Stock Exchange and our Company. In this regard, we have confirmed that we will ensure that sufficient measures and arrangements are made in order to facilitate efficient communication with the Stock Exchange as well as proper compliance with the Listing Rules.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

We have adopted the following measures and arrangements for maintaining regular communication between the Stock Exchange and us:

- (a) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules. The two authorized representatives are Ms. Zhou Lingli (周伶俐), the executive Director, and Ms. Mak Po Man Cherie (麥寶文), the Company Secretary. The authorized representatives will act as the principal channel of communication between the Stock Exchange and our Company. The authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the authorized representatives is authorized to communicate on behalf of the Company with the Stock Exchange.
- (b) each of the authorized representatives has means to contact all Directors (including the non-executive Directors and the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. The Company will implement a policy whereby:
 - (i) each Director will provide his or her mobile phone number, office phone number, email address and facsimile number to the authorized representatives;
 - (ii) each Director will provide his or her phone numbers or means of communication to the authorized representatives when he or she is travelling; and
 - (iii) each Director will provide his or her mobile phone number, office phone number, email address and facsimile number to the Stock Exchange;
- (c) in compliance with Rule 3A.19 of the Listing Rules, our Company has retained Somerley Capital Limited, to act as the compliance advisor of the Company, and who will act as an additional channel of communication between the Stock Exchange and our Company for the period commencing on the Listing Date and ending on the date that the Company publishes its financial results for the first full financial year after the Listing Date pursuant to Rule 13.46 of the Listing Rules;
- (d) Our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives; and
- (e) all Directors who are not Hong Kong residents have confirmed that they possess valid travel documents to visit Hong Kong and would be able to come to Hong Kong and, when required, meet with the Stock Exchange upon reasonable notice.

Our Company believes that the above measures and arrangements will ensure that all members of the Board can be promptly informed of any matters raised by the Stock Exchange and that there is an effective communication channel in place between the Stock Exchange and the Company.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER FROM STRICT COMPLIANCE WITH RULE 10.04 OF THE LISTING RULES AND THE STOCK EXCHANGE'S CONSENT UNDER PARAGRAPH 5(2) OF APPENDIX 6 TO THE LISTING RULES

Rule 10.04 of the Listing Rules provides that an existing shareholder of an issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) are fulfilled. The requirements of Rule 10.03 of the Listing Rules are that (1) no securities are offered to the existing shareholder on a preferential basis and no preferential treatment is given to the existing shareholder in the allocation of the securities; and (2) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides that unless with the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.04 of the Listing Rules and a consent under paragraph 5(2) of Appendix 6 to the Listing Rules in respect of the restriction on Recruit Holdings to subscribe for Shares in the Global Offering as a cornerstone investor, subject to, among others, the following conditions:

- (a) Recruit Holdings is interested in less than 5% of our Company's voting rights before the Listing, and it is not a core connected person or a close associate of a core connected person of our Company;
- (b) Recruit Holdings does not have power to appoint Directors or any other special rights in our Company upon completion of the Global Offering, and has not been and will not be involved in the preparation for the Listing and the management and operation of our Group prior to the Listing;
- (c) allocation to Recruit Holdings will not affect our Company's ability to satisfy the public float requirement of Rule 8.08(1) of the Listing Rules;
- (d) Recruit Holdings does not have influence over the allocation of the Offer Shares or any representation at our Board;
- (e) the price for the Shares to be allocated to Recruit Holdings will be the same as the price for those to be allocated to other investors under the Global Offering;
- (f) each of the Joint Sponsors (based on (i) its discussions with our Company and the Joint Global Coordinators; and (ii) the confirmation provided by our Company to the Stock Exchange, and to the best of its knowledge and belief) confirms that (i) it has no reason to believe that Recruit Holdings received any preferential treatment in the initial public offering allocation as a cornerstone investor by virtue of its relationship with our Company other than the preferential treatment of assured entitlement under a cornerstone investment which follows the principles set out in the Guidance Letter HKEX-GL51-13, and (ii) details of the allocation will be disclosed in the prospectus and the allotment results announcement of our Company; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (g) our Company confirms that (i) no preferential treatment has been, nor will be, given to Recruit Holdings by virtue of its relationship with our Company other than the preferential treatment of assured entitlement under the cornerstone investment which follows the principles set out in the Guidance Letter HKEX-GL51-13, and (ii) details of the allocation will be disclosed in the prospectus and the allotment results announcement of our Company.

For further information including the identity and background of Recruit Holdings and the terms of its cornerstone investment, please see “Our Cornerstone Investor”.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions that will constitute continuing connected transactions with connected persons of the Company that will constitute non-exempt continuing connected transactions of the Company under the Listing Rules upon Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with the requirements of Chapter 14A of the Listing Rules in relation to these continuing connected transactions. See “Connected Transactions” for further details.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY STATEMENT

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

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

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

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

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

If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please see "Underwriting" for further details.

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

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set forth in "How to Apply for Hong Kong Offer Shares" and in the Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in "Structure of the Global Offering."

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in "Structure of the Global Offering."

RESTRICTIONS ON OFFERS AND SALES OF SHARES

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

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

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Shares which may be issued under the RSU Scheme.

No part of our equity or debt securities is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Monday, June 1, 2020. The Shares will be traded in board lots of 400 Shares each. The stock code of the Shares will be 9923.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our Principal Share Registrar and Transfer Office, Maples Fund Services (Cayman) Limited, in the Cayman Islands, and our Company's Hong Kong register of members will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

Dealings in our Shares registered on our Hong Kong register will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

CSRC APPROVAL AND OTHER RELEVANT PRC AUTHORITIES APPROVAL

The Listing does not require the approval of the CSRC or any other PRC government authorities under the current PRC laws, regulations and rules.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in RMB, US\$ and HK\$ have been translated, for the purpose of illustration only, into each other in this prospectus at the following exchange rates prevailing on May 12, 2020 published by the PBOC for foreign exchange transactions: HK\$1.00: RMB0.9150; US\$1.00: HK\$7.7507 and US\$1.00: RMB7.0919.

No representation is made that any amounts in RMB or US\$ were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail, provided that if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

OTHER

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Liu Yingqi (劉穎麒)	Room 2618, 26F, Building A Fengye Apartment Intersection of Nanshan Avenue and Chuangye Road, Nanshan District Shenzhen City Guangdong Province China	Chinese
Ms. Zhou Lingli (周伶俐)	Flat C, 16/F, Bayview 9 Yuk Yat Street Kowloon, Hong Kong	Chinese
Mr. Yao Zhijian (姚志堅)	Room 19D, Building 4 Kangjiayuan, Nanshan District Shenzhen City Guangdong Province China	Chinese
<i>Non-Executive Directors</i>		
Mr. Mathias Nicolaus Schilling	2750 Divisadero Street San Francisco, CA 94123 USA	German
Mr. Hirofumi Ono (小野裕史)..	7-6-15, MinamiAoyama Minato-ku Tokyo 107-0062 Japan	Japanese
<i>Independent Non-Executive Directors</i>		
Mr. Tam Bing Chung Benson (譚秉忠)	Flat A, 16/F, Dragon View 39 MacDonnell Road Hong Kong	British
Mr. Yao Wei (姚衛)	Room 1004, Building 13 Hongxi Huating No. 283 Guangming North Road Shiqiao Street, Panyu District Guangzhou, China	Chinese
Mr. Yang Tao (楊濤)	No. 9, Building 1, District 4 Lijing Garden No. 89 Capital Airport Road Shunyi District Beijing, China	Chinese

Further information about our Directors and other senior management members are set out in "Directors and Senior Management."

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

CLSA Capital Markets Limited

18/F
One Pacific Place
88 Queensway
Hong Kong

Nomura International (Hong Kong) Limited

30/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

ABCI Capital Limited

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

Joint Global Coordinators

CLSA Limited

18/F
One Pacific Place
88 Queensway
Hong Kong

Nomura International (Hong Kong) Limited

30/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

ABCI Capital Limited

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Bookrunners

CLSA Limited

18/F
One Pacific Place
88 Queensway
Hong Kong

Nomura International (Hong Kong) Limited

30/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

ABCI Capital Limited

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

Haitong International Securities Company Limited

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

China Merchants Securities (HK) Co., Limited

48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

ICBC International Capital Limited

37/F, ICBC Tower
3 Garden Road
Hong Kong

Futu Securities International (Hong Kong) Limited

Unit C1-2
13/F United Centre
No.95 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers

CLSA Limited

18/F
One Pacific Place
88 Queensway
Hong Kong

Nomura International (Hong Kong) Limited

30/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

ABCI Securities Company Limited

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

Haitong International Securities Company Limited

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

China Merchants Securities (HK) Co., Limited

48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

ICBC International Securities Limited

37/F, ICBC Tower
3 Garden Road
Hong Kong

Futu Securities International (Hong Kong) Limited

Unit C1-2
13/F United Centre
No.95 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

China Galaxy International Securities (Hong Kong) Co., Limited

20/F, Wing On Centre
111 Connaught Road Central
Hong Kong

uSmart Securities Limited

Unit 2606, 26/F
FWD Financial Centre
308 Des Voeux Road
Central
Hong Kong

Legal Advisors to Our Company

As to Hong Kong laws:

Miao & Co.

(in association with Han Kun Law Offices)

Rooms 3901-05
39/F., Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC laws:

Han Kun Law Offices

Room 2103-04
21/F, Kerry Plaza Tower 3
1-1 Zhongxinsi Road, Futian District
Shenzhen 518048, Guangdong
PRC

As to United States laws:

O'Melveny & Myers

31/F, AIA Central
1 Connaught Road Central
Hong Kong

As to Cayman Islands laws:

Maples and Calder (Hong Kong) LLP

26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisors to the Joint Sponsors
and the Underwriters**

As to Hong Kong and United States laws:

Simpson Thacher & Bartlett

35/F, ICBC Tower
3 Garden Road, Central
Hong Kong

As to PRC laws:

Grandall Law Firm (Shanghai)

23-25/F, Garden Square
968 West Beijing Road
Shanghai
PRC

Auditor and Reporting Accountant

PricewaterhouseCoopers

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

Industry Consultant

Oliver Wyman, Inc.

Level 9, Unit 04, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Receiving Banks

Bank of China (Hong Kong) Limited

1 Garden Road
Hong Kong

CMB Wing Lung Bank Limited

16/F, CMB Wing Lung Bank Building
45 Des Voeux Road
Central
Hong Kong

CORPORATE INFORMATION

Registered Office	Vistra (Cayman) Limited P.O. Box 31119 Grand Pavilion Hibiscus Way, 802 West Bay Road Grand Cayman, KY1-1205 Cayman Islands
Headquarters	19/F A4 Building, Kexing Science Park 15 Keyuan Road, Nanshan District Shenzhen China
Principal Place of Business in Hong Kong	40/F., Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Company's Website	<u>https://www.yeahka.com/</u> <i>(Note: the information contained on this website does not form part of this document)</i>
Company Secretary	Ms. Mak Po Man Cherie (麥寶文) <i>(an associate member of both the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom)</i> 40/F., Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives <i>(for the purpose of the Listing Rules)</i>	Ms. Zhou Lingli (周伶俐) Flat C, 16/F, Bayview 9 Yuk Yat Street Kowloon, Hong Kong Ms. Mak Po Man Cherie (麥寶文) 40/F., Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Audit Committee	Mr. Yao Wei (<i>Chairman</i>) Mr. Tam Bing Chung Benson Mr. Yang Tao
Remuneration Committee	Mr. Yao Wei (<i>Chairman</i>) Mr. Liu Yingqi Mr. Tam Bing Chung Benson

CORPORATE INFORMATION

Nomination Committee

Mr. Liu Yingqi (*Chairman*)
Mr. Yao Wei
Mr. Tam Bing Chung Benson

The Cayman Islands Principal Share Registrar and Transfer Office

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

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Compliance Advisor

Somerley Capital Limited
20th Floor, China Building
29 Queen's Road Central
Hong Kong

Principal Banks

**Industrial and Commercial Bank of China,
Shenzhen Meilin Yicun Sub-branch**
No. 112, Zone 5, Meilin Yicun
Futian District
Shenzhen, PRC

China Everbright Bank, Shenzhen Fortune Branch
1/F, Fortune Building
88 Fuhua 3rd Road, Futian District
Shenzhen, PRC

INDUSTRY OVERVIEW

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

REPORT COMMISSIONED FROM OLIVER WYMAN

We have commissioned Oliver Wyman, a third-party global management consulting firm, to conduct analysis and prepare a report (the “**Oliver Wyman Report**”) on the PRC payment industry and market. Oliver Wyman is a wholly-owned subsidiary of Marsh & McLennan Companies, a global management consulting firm with 50 offices in 26 countries. It has industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation. We agreed to pay Oliver Wyman a fee of RMB1.28 million for the preparation and use of the Oliver Wyman Report. We have extracted certain information from the Oliver Wyman Report in this section and elsewhere in this prospectus to provide our potential investors with a comprehensive presentation of the industries in which we operate. Unless otherwise indicated, market estimates or forecasts in this section represent Oliver Wyman’s view on the future development of the PRC payment industry.

In preparing the report, Oliver Wyman has relied on statistics and information obtained through both primary and secondary research. Primary research includes interviewing industry insiders and recognized third-party industry associations, while secondary research includes reviewing corporate annual reports, databases of relevant official authorities and professional agencies, independent reports and publications, as well as the proprietary database established by Oliver Wyman during the past decades. Oliver Wyman has also cross-checked the data obtained from different sources to ensure such data is in line with the practice of the industry. During the forecast period from 2020 to 2023, the forecasts were made by Oliver Wyman on the basis of the following assumptions:

- The social, economic and political conditions in China are expected to remain stable during the forecast period;
- China’s economy is expected to continue to grow steadily during the forecast period;
- The key drivers of China’s third-party payment industry are expected to continue to drive the development of the third-party payment market during the forecast period; and
- The third-party payment market in China is not expected to be materially and adversely affected by any extreme circumstances during the forecast period.

INDUSTRY OVERVIEW

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

OVERVIEW OF CHINA'S THIRD-PARTY PAYMENT INDUSTRY

Third-party payment industry refers to non-bank payment service providers acting as the intermediary to provide payment processing and settlement services between merchants and customers.

Macro drivers behind China's payment market

There are multiple macro factors that drive the rapid growth of the payment service industry in China.

Shift in Chinese economic structure

The continuous fast growth of China's economy has presented immense opportunities for market participants in the payment service industry. From 2013 to 2019, China's real GDP increased from RMB52 trillion to RMB77 trillion, representing a CAGR of 6.8%, and it is expected to remain relatively strong at around 5.6% per year in the next five years.

China's growth model is shifting from an investment-driven model towards a consumption-driven model. Consumption has played an increasingly important role in China's economy with its contribution to real GDP increased from 37% in 2013 to 41% in 2019, and it is expected to reach 43% in 2023. The increase in consumption will drive the growth of the payment service industry.

Regarding the Chinese enterprise development, small and medium enterprises, which have contributed over 60% of China's GDP, 50% of tax income and 80% of urban employment in 2019, are taking up increasing importance for the Chinese economy. The increasing importance and growing number of small and medium enterprises will continue to drive the growth of the payment service industry.

Changing consumer behavior and retail landscape

Chinese consumers are becoming more sophisticated and are increasingly accustomed to technologies being applied in consumption. In a survey conducted in 2018, over 53% of Chinese consumers interviewed would purchase a new product of innovative technology introduced to the market, compared with the global average of 29%. 59% of Chinese consumers interviewed would shop online, compared with the global average of 37%.

The rise of "new retail" model is also stimulating the development of China's payment market as retailers will apply innovative technologies, from big data analytics in customer acquisition to the payment method at point-of-sale, to improve customer's experience. Electronic payment service, especially QR code payment, is highly demanded by merchants.

INDUSTRY OVERVIEW

Increasing smartphone penetration and impact of 5G rollout

The Internet penetration in China is expected to grow continuously driven by the development of mobile network. Upon the coming national rollout of 5G network in China in the next few years, smartphone penetration rate is expected to further increase, driven by the critical improvement in mobile Internet speed and the drop in price of smartphones. Rapid growth is expected for China's mobile Internet users, which is forecasted to grow from 857 million in 2019 to 1,029 million by 2023 and mobile population is expected to account for almost 100% of the Internet population.

Regulatory and policy support to facilitate a more healthily developed payment industry

In recent years, the PBOC has issued various laws and regulations to crack down unauthorized payment related activities. The regulations significantly reduced the amount of unlicensed payment service providers. As of December 31, 2019, only 16 players were granted both national bank card acquiring license and mobile phone payment license in China, and there has been no new third-party payment license issued since 2016. The value of having payment licenses increases as the supply of license tightens and barriers of entry become higher.

Further, the implementation of the Notice on Migrating the Online Payment Business of Non-Bank Payment Institutions from Direct Connection Mode to Network Platform Processing (中國人民銀行支付結算司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) in August 2017 breaks the direct connection between third-party payment service providers and banks. Third-party payment service providers are required to use authorized clearing houses for clearing services. The competition between clearing houses could potentially drive down the settlement and clearing fees and lead to a less intense price competition among third-party payment service providers. As such, third-party payment service providers will focus more on non-price competition such as enhancing service capabilities, users' experience of merchants and product innovations. Such regulation also saves the time and costs of third-party payment service providers as they no longer need to deal with different banks one by one for clearing or settlement agreements.

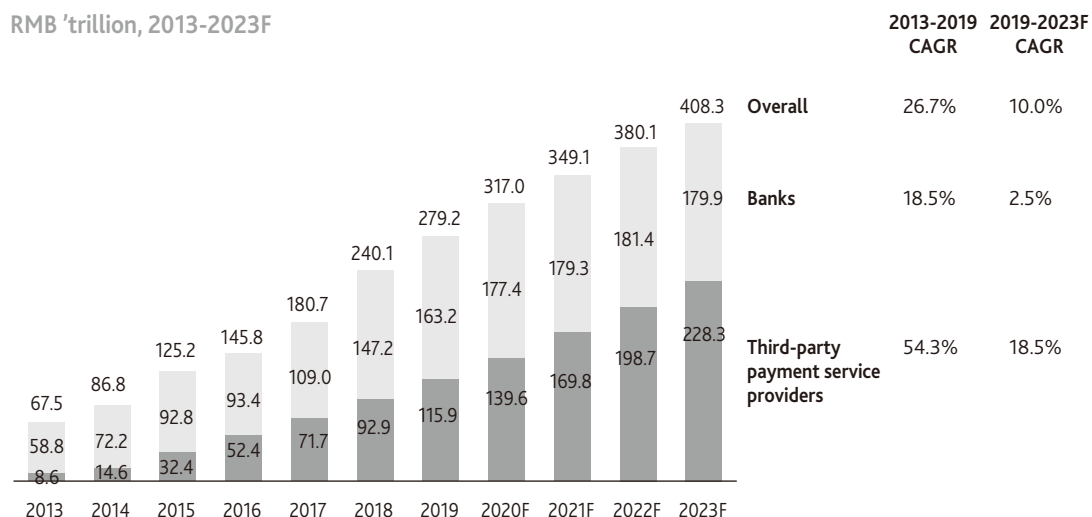
Rapid growth of China's third-party payment market

The global payment industry is transitioning towards non-cash payment. As a result of the macro drivers mentioned above, China and other emerging Asian countries have shown fastest growth in the world as the number of non-cash transaction increased from 29 billion to 116 billion, at a CAGR of 32.0% from 2013 to 2018. Looking forward, it is expected that China will be the fastest growing region in non-cash transactions, outperforming any other regions. On one hand, consumers are more readily adapted to the use of online channels with the growth of e-commerce and new retailing and have shown increasing willingness to shift from cash to non-cash payment. On the other hand, the infrastructure of non-cash payment has become more mature, with big tech giants enhancing the e-payment ecosystems, government policies supporting non-cash transactions and heavy promotion campaigns of e-payment providers.

In China, the total non-cash payment market transaction volume (excluding fund-transfer) increased from RMB67.5 trillion in 2013 to RMB279.2 trillion in 2019, at a CAGR of 26.7%. It is expected that the total non-cash payment market transaction volume in China will further increase to RMB408.3 trillion in 2023, indicating a CAGR of 10.0%.

INDUSTRY OVERVIEW

China's payment market transaction volume, split by bank and third-party payment service providers



Source: PBOC, Payment and Clearing Association of China, China UnionPay, Oliver Wyman analysis

Payment service providers can be categorized into banks and third-party payment service providers. The growth of the third-party payment segment is mainly driven by the increasing penetration of mobile payment, coupled with the increasing offline bank card-based payment transactions. In the non-cash payment market, the transaction volume settled by third-party payment service providers increased from RMB8.6 trillion in 2013 to RMB115.9 trillion in 2019, representing a CAGR of 54.3%, and it is expected to further increase to RMB228.3 trillion in 2023, representing a CAGR of 18.5%.

Entry barriers for China third-party payment market

For potential new entrants to the third-party payment market, there are several major entry barriers.

- Payment license.** To participate in the payment market legally, all players need to obtain the payment license. The PBOC has gradually raised the standard for third-party payment service providers, resulting in higher barriers for new market entrants. As of December 31, 2019, there are only 16 players with both national bank card acquiring license and mobile phone payment license; starting from 2016, no new third-party payment licenses have been issued, and only licensed players can apply for renewal.
- Core technology.** To win in the long-run, players are required to provide multiple payment services to their customers and equip themselves with tailor-made technology services capabilities and comprehensive services capabilities. It takes substantial amount of time and investment to build a stable service design and a fulfilment team with both strong technology capabilities and deep understanding of the industry.

INDUSTRY OVERVIEW

- **Sticky relationships with clients, payment networks, commercial banks and other business partners.** It takes time to establish brand name and stable relationship with clients and partners, who tend to stick with the same service provider due to high transition cost and better source for data analytics accumulated from long-established cooperation. First movers have already established a scalable business in the third-party payment industry and developed customer stickiness, forming barriers and challenges for latecomers.
- **Track record of risk management and compliance.** A long-established brand name can help the top players distinguish themselves from their competitors. It takes time, resources and investments to build up reputation of the technology infrastructure and risk management system that guard the safety of merchants' fund.
- **Experienced professionals.** The successful operation of a third-party payment service provider requires experts with rich experience in finance, the payment industry, regulations governing electronic payments, and payment technologies for product development and business operation.
- **Sufficient capital.** Third-party payments using advanced technology require significant investment in research and development as well as state-of-the-art equipment in order to build a competitive and scalable business in the payment service industry.

Third-party payment value chain in China

Along the third-party payment value chain in China, a number of parties play different roles and take different responsibilities:

- **Consumers.** Consumers pay to merchants for the goods or services they purchased. Payments can be made across a variety of channels including online and mobile channels.
- **Merchants.** Merchants receive payments for providing goods or services. With the emergence of digital and mobile payment, merchants are provided with more choices to accept payments such as QR code payment.
- **Issuers.** Issuers refer to (i) card issuing banks that issue credit or debit cards to consumers and authorize payment transactions after conducting necessary checks on consumers' identity and compliance issues and (ii) e-wallet issuers, such as WeChat Pay and Alipay, which receive and verify transaction information through their issued e-wallets to which consumers' bank accounts are linked. Issuers act as the point of contact for consumers in the payment value chain. An issuer verifies payment information and sends notification of approval for the transaction. Once the verification and approval of the payment are completed, the issuer will transfer the fund to payment networks.
- **Payment networks.** UnionPay acts as both the bank card network and the online network for QR code payment in China, while NetsUnion acts as the online network for QR code payment business related to a bank account undertaken by non-bank payment institutions. Payment networks' responsibilities typically include connecting and switching transactions between payment service providers and issuers and enabling payment authorization.

INDUSTRY OVERVIEW

- **Payment service providers.** In providing payment services, payment service providers collect and process consumers' payment requests from various channels, transmit payment information to payment networks, and then delivers payment results to merchants. Payment service providers are mainly responsible for signing acceptance agreements, authorizing requests, settling bills and other payment-related activities. Payment service providers can be categorized into banks and third-party payment service providers. Third-party payment service providers can be further categorized into (i) affiliated payment service providers, such as WeChat Pay, Alipay and China UnionPay Merchant Services and (ii) independent payment service providers. See “— Payment Services — Competitive Landscape.”
- **Receiving banks.** A receiving bank is the bank with which the merchant holds an account to receive funds.

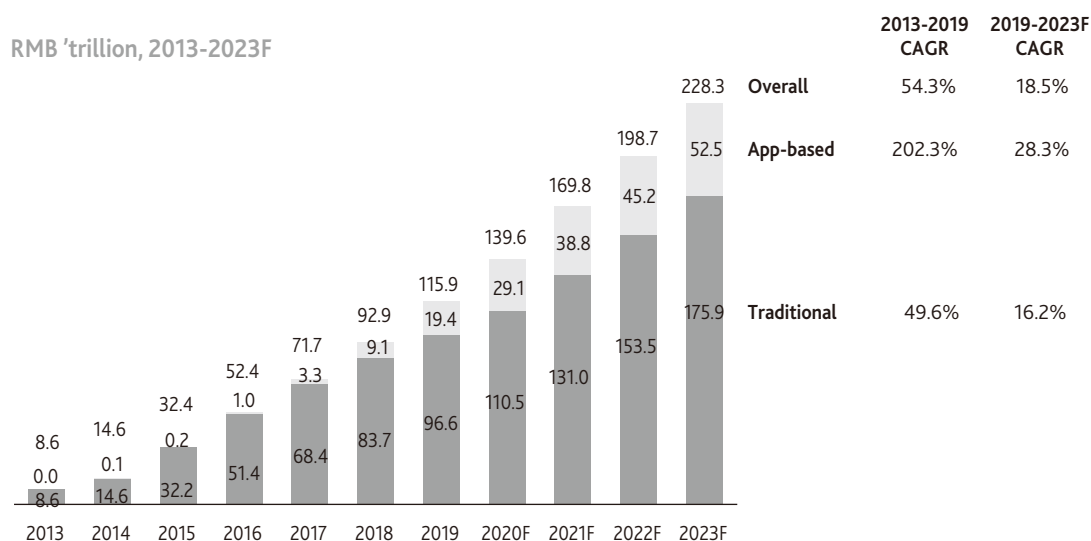
PAYMENT SERVICES

In the third-party payment sector, all the transactions are non-cash. We can further segment the market by app-based and traditional payment services.

- **App-based payment services.** It refers to the provision of services which enable merchants to accept payment using mobile apps, or consumers to pay merchants through third-party e-wallets. China's payment transaction volume of app-based payment service is expected to increase from RMB19.4 trillion in 2019 to RMB52.5 trillion in 2023, representing a CAGR of 28.3%.
- **Traditional payment services.** It refers to the provision of services which enable merchants to accept non-cash payments that do not belong to app-based payments, including accepting card payments with traditional payment terminals. China's payment transaction volume of traditional payment service increased from RMB8.6 trillion in 2013 to RMB96.6 trillion in 2019, representing a CAGR of 49.6%. It is expected to further increase to RMB175.9 trillion in 2023, representing a CAGR of 16.2%.

INDUSTRY OVERVIEW

China's third-party payment market transaction volume, split by app-based and traditional payment services



Source: PBOC, Payment and Clearing Association of China, China UnionPay, Oliver Wyman analysis

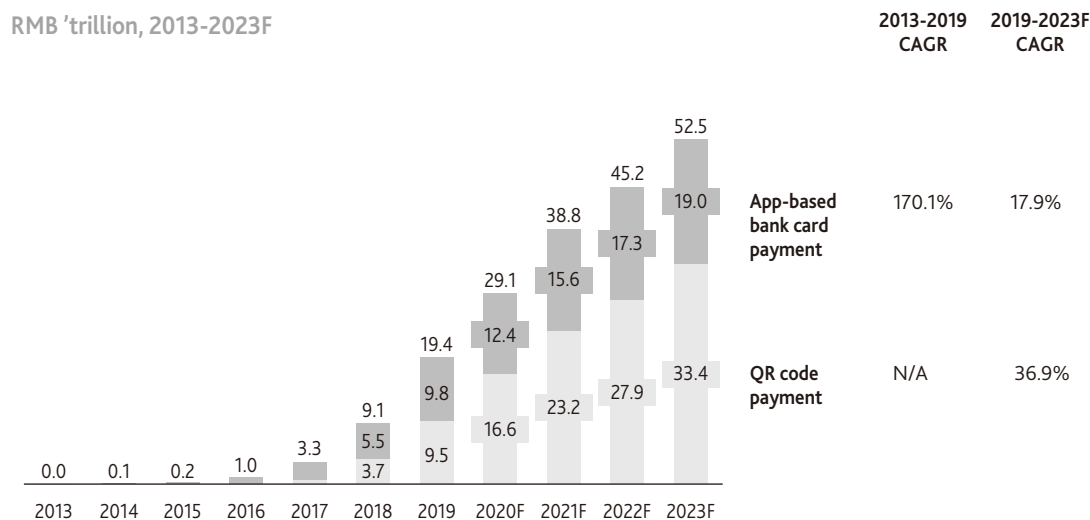
App-based payment services

App-based payment services include bank card payment based on mobile apps and QR code payment with mobile devices, both of which are offline payment methods that are growing rapidly, in particular QR code payment.

App-based bank card payment refers to transactions paid with debit or credit card and settled offline based on mobile apps. QR code payment refers to transaction paid through QR code scanning offline at the merchants (線下掃碼), whether it is an aggregated QR code channeling the payment to multiple issuers (聚合支付) or a non-aggregated one.

INDUSTRY OVERVIEW

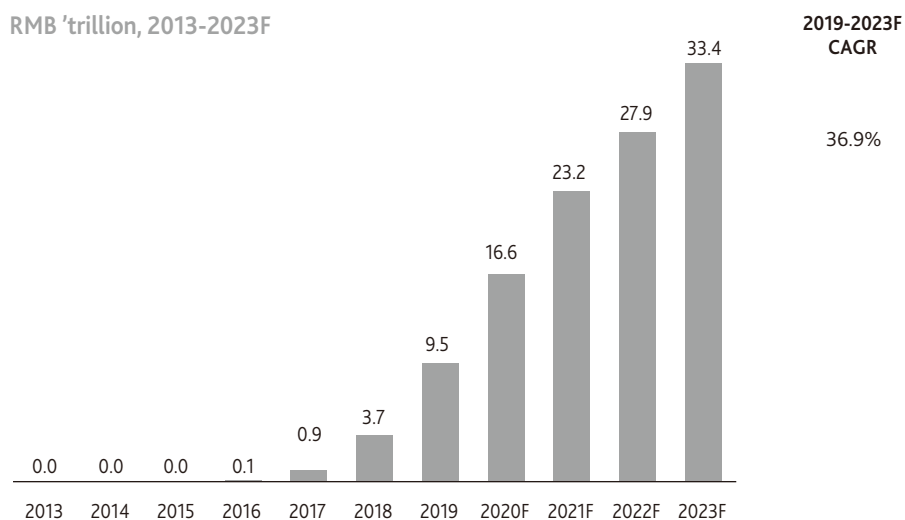
China's app-based payment market transaction volume, split by app-based bank card payment and QR code payment



Source: PBOC, Payment and Clearing Association of China, China UnionPay, Oliver Wyman analysis

QR code payment encountered a regulatory halt in 2014 under the order of the PBOC (《中國人民銀行支付結算司關於暫停支付寶公司線下條碼(二維碼)支付等業務意見的函》), which has been reversed in 2016 when the PBOC recognized QR code payment as a legal payment method. As a result, the transaction volume of QR code payment in China increased from RMB0.9 trillion in 2017 to RMB9.5 trillion in 2019, at a CAGR of 224.9% and it is expected to further increase to RMB33.4 trillion in 2023, representing a CAGR of 36.9%.

China's QR code payment market transaction volume



Source: PBOC, Payment and Clearing Association of China, China UnionPay, Oliver Wyman analysis

INDUSTRY OVERVIEW

QR code payments often occur in small amount and in high frequency, with an average spending amount per transaction of approximately RMB100, which is expected to continue to increase along with inflation. As a result, future growth of QR code market transaction volume will be mainly driven by the growth of transaction counts. From 2015 to 2019, the number of QR code payment transactions increased from 0.1 billion to 84.2 billion, representing a CAGR of 429.4%. In the long run, the number of QR code payment transactions in China is expected to increase to 264.7 billion in 2023, representing a CAGR of 33.2%. It is expected that there will be a shift of transaction volume from bank card payment to QR code payment among non-bank non-cash payment offline transactions in the long run. On merchant's side, cheaper installation cost of QR code payment and payment equipment innovation would support the growth of QR code payment. On consumer's side, Chinese consumers would likely prefer QR code payment to bank card payments, particularly for small payments, as this saves the effort of bringing the wallet or bank card out for small transactions and consumers would only need the mobile device for payment.

Competitive landscape

Third-party payment service providers can be categorized into (i) affiliated payment service providers, such as WeChat Pay, Alipay and China UnionPay Merchant Services ("**China UMS**") and (ii) independent payment service providers. Affiliated payment service providers typically only recognize issuers of their affiliated groups. On the other hand, independent payment service providers can leverage various issuers and have the ability to aggregate different payment methods, which enables merchants to keep a single type of terminal. As the payment industry is shifting towards mobile payment, lots of third-party payment companies emerge as new players, making the segment increasingly dynamic. Various third-party payment companies, for example, our Company, stimulated the development of the market with innovative products and evolving services. As of December 31, 2019, there were 238 third-party payment service providers in China, 33 of which were granted the national bank card acquiring license and 16 of which were granted both the national bank card acquiring license and the mobile phone payment license.

Affiliated payment service providers have significant market share in the third-party payment service market, in terms of total transaction volume. However, the market position of affiliated payment service providers is different from that of independent payment service providers. Affiliated payment service providers are typically more akin to issuers, and they only accept payments from their own e-wallets or primarily focus on transactions from their own issuing network. In particular, WeChat Pay and Alipay focus on the consumer side of payment transactions and only accept payments from their own e-wallets by issuing merchant-generated QR code. In terms of the merchant side of payment transactions, WeChat Pay and Alipay record substantial amount of GPV from online merchants. For offline merchant, WeChat Pay and Alipay rely mainly on the offline merchant distribution and service networks of independent payment service providers, including ours to reach merchant customers. China UMS focuses on transactions made via co-issued bank cards of UnionPay, its holding company.

By contrast, independent payment service providers, such as us, focus on the merchant side of payment transactions, enabling merchants to accept payments from multiple issuers as an independent party. The sub-market of independent payment service providers accounts for approximately 17.5% of the third-party payment market in 2019. It is uncommon for merchants to use multiple independent payment service providers as each independent payment service provider can accept various means of payment. WeChat Pay and Alipay occasionally offer initiatives such as subsidies for merchants, which mainly aim to expand their e-wallet user base. The implementation of such initiatives also relies on the offline distribution and service networks of independent payment service providers, including ours. Registered merchants will receive subsidies when accepting payments from WeChat Pay's or Alipay's e-wallets, regardless of whether they are accepting payments using WeChat Pay's or Alipay's merchant QR code, or independent payment service providers' payment devices. Currently, other affiliated payment service providers such as China UMS do not offer similar initiatives to merchants.

INDUSTRY OVERVIEW

The benefits to merchants of using services provided by independent payment service providers and having a unified QR code over directly registering with affiliated payment service providers include: (i) merchants only need to apply once for payment services which can accept payments from various e-wallets, and do not need to undergo multiple know-your-client procedures with different affiliated payment service providers; (ii) it is easier for merchants to reconcile transactions as they accept all payments via one independent payment service provider which provide settlement services based on the operational needs of specific industries; and (iii) with the assistance of a unified QR code, customers could scan one QR code using their preferred e-wallets.

In addition, our market position is distinguished from other independent payment service providers as we possess outstanding servicing capabilities as well as the ability to offer technology-enabled business services as an integral part of our service offerings. We have broad partnership with over 8,000 partners in our distribution channels, namely independent sales agents, sales partners, and SaaS partners. As of the Latest Practicable Date, our distribution network had covered 30 provinces and municipalities and over 300 cities in China. Leveraging our robust technology infrastructure, we have developed in-house our platform which securely processes a massive volume of transactions and achieves a high level of automation and stability. Further, we are a leader in the China third-party payment service industry, and were among the first licensed third-party payment service providers to launch integrated QR code payment services in China. We have also accumulated a sizable existing payment customer base. Our extensive distribution and service network, IT infrastructure, coupled with our ability to offer cohesive technology-enabled business services, create high switching costs for existing merchant customers to leave our service ecosystem.

Having launched our technology-enabled business services in 2015, we are a pioneer among independent third-party payment service providers in offering value-added services to customers. While the holding companies of affiliated payment service providers offer a wide range of services to individuals and companies, affiliated payment service providers themselves offer limited value-added services to merchants in addition to payment services. They generally provide financial rebates, as opposed to value-added services, to merchants. Independent payment service providers with customer insights and technological capabilities, such as us, can better develop value-added services tailored to merchants. According to Oliver Wyman, as of December 31, 2019, the vast majority of independent third-party payment service providers did not provide value-added services in addition to their payment services. Among those that provided such services, their services either (i) were less integrated with payment services, e.g. most of their value-added service customers were not converted from payment services, or (ii) contributed a much less proportion of their total revenue.

As a result of the cohesiveness among our services, over 90% of our business service customers as of December 31, 2019 were converted from payment service customers. Driven by accelerated conversion, the number of our technology-enabled business service customers grew from approximately 4,000 as of December 31, 2017 to approximately 80,000 as of December 31, 2018, and further to approximately 431,000 as of December 31, 2019. As a result, in 2017, 2018 and 2019, we generated 1.7%, 2.5% and 7.8% of our revenue, and 4.0%, 8.4% and 18.1% of our gross profit from our technology-enabled business services, respectively, representing a CAGR of 114.2% and 112.7%, respectively. For example, our ability to integrate technology-enabled business services into payment is enshrined in our development of Smart Shopkeeper, an intelligent ordering machine which is used in conjunction with our customized restaurant management apps to offer integrated business and payment solutions to customers. At the outset, we conducted extensive underlying research to build in comprehensive scenario-specific functionalities, including smart ordering, smart financial statement, smart payment and smart marketing into Smart Shopkeeper. Also, we operate a WeChat public account for Smart Shopkeeper to interact with merchant user communities and empower them by sharing insights and training materials. As of the Latest Practicable Date, the Smart Shopkeeper was the bestselling cash registers on Tmall, a leading ecommerce marketplace in China, scoring over 30% higher than industry average in terms of customer satisfaction.

INDUSTRY OVERVIEW

According to the Oliver Wyman Report, we ranked 10th among third-party payment service providers in terms of transaction volume in 2019 and accounted for 1.3% of market share in this segment (in terms of transaction volume).

Ranking of third-party payment service providers by transaction volume in 2019

Ranking	Name	Market Share
1	Company A	30.0%
2	Company B	28.0%
3	Company C	18.0%
4	Company D	2.8%
5	Company E	2.4%
6	Company F	2.3%
7	Company G	2.2%
8	Company H	1.9%
9	Company I	1.7%
10	Yeahka 移卡 乐融	1.3%

Source: Oliver Wyman Report

According to the Oliver Wyman Report, we ranked fourth among app-based payment service providers in terms of transaction count in 2019 and accounted for 10.0% of market share in this segment (in terms of transaction count). According to Oliver Wyman, in terms of app-based payment market, transaction count is more applicable as market players focus on the interactions created by and payment data generated from each payment transaction, which provide opportunities for cross-selling other value-added services.

Ranking of app-based payment service providers by transaction count in 2019

Ranking	Name	Market Share
1	Company D	16.0%
2	Company G	15.0%
3	Company C	14.0%
4	Yeahka 移卡 乐融	10.0%
5	Company J	7.0%

Source: The Oliver Wyman Report

According to the Oliver Wyman Report, we ranked the second among independent non-bank QR code payment service providers in terms of transaction count in 2019 and accounted for 14.0% of market share in this segment (in terms of transaction count).

Ranking of independent non-bank QR code payment service providers by transaction count in 2019

Ranking	Name	Market Share
1	Company D	16.0%
2	Yeahka 移卡 乐融	14.0%
3	Company I	10.0%
4	Company K	8.0%
5	Company E	7.0%

Source: the Oliver Wyman Report

TECHNOLOGY-ENABLED BUSINESS SERVICES

Overview of technology-enabled business services

Payment services facilitate the accumulation of key resources. Independent payment service providers have close connection with merchants and consumers, good understanding of their business needs and financial situation, as well as strong research and development capabilities and innovative technologies. They accumulated three types of key resources, including: (i) pre-existing business relationships with customers developed through payment services that create scenarios for service extension, (ii) critical assets captured through payment services such as customer base, data assets accumulated and payment devices adopted by customers, and (iii) technology capabilities accumulated from the provision of payment services.

Payment-based merchant SaaS market in China

By integrating functionalities into payment services supporting software, service providers can extend a wide range of business services to merchants to support various business functions, such as building a dynamic customer relationship management (CRM) system and enhancing employee management for merchants.

The market size of China's SaaS products has been increasing at a fast pace. From 2013 to 2019, China's SaaS market size increased from RMB3 billion to RMB18 billion, representing a CAGR of 31.5%, and it is expected to further grow to RMB59 billion in 2023, representing a CAGR of 34.4%.

Given the competition within the payment service provider market, providing value-added business services to merchants allows payment service providers to gain a competitive edge. While many third-party payment service providers have ventured into providing such services, most have focused on either financial institutions instead of merchants, or providing cross-border business-to-business payment solutions. On technology-enabled financial solutions, third-party payment service providers focus on providing credit assessment services to financial institutions, leveraging the big data accumulated through payment services. On cross-border business-to-business payment solutions, third-party payment service providers focus on providing end-to-end cross-border payment solution including clearing, foreign exchange, logistics and platform intermediation services.

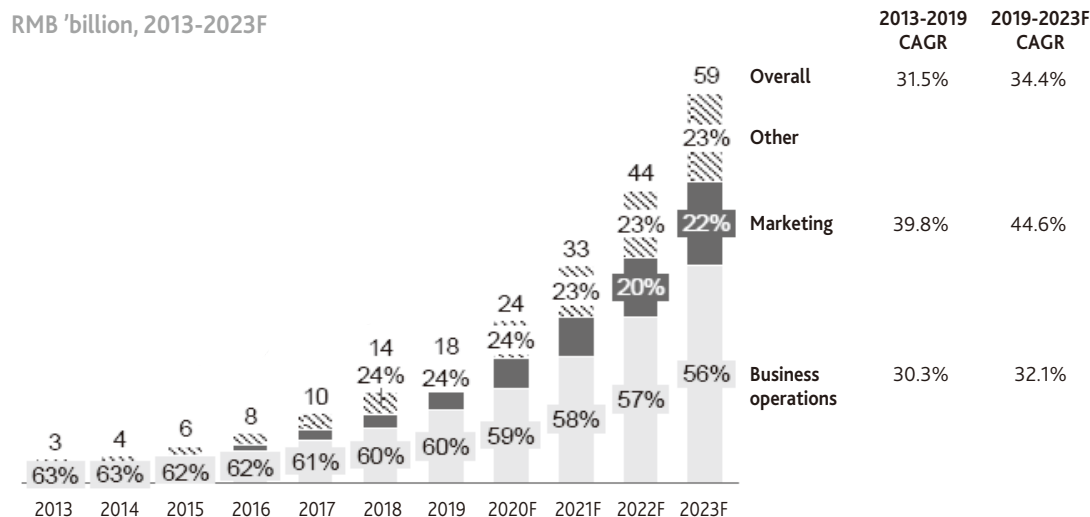
Payment-based marketing services in China

Through collecting the wide variety of transaction data among merchants and consumers and the high penetration rate of SaaS products/payment terminal in the retail industry, payment service providers could provide merchants with various marketing services, such as loyalty program design e-tools and precision marketing. For example, payment creates scenarios where merchants could interact with consumers, allowing them to place advertisements on both online and offline stores to their targeted consumers.

In terms of the market size by functions, the sales of marketing function SaaS products increased from RMB0.4 billion in 2013 to RMB2.9 billion in 2019, representing a CAGR of 39.8%, and it is expected to further increase to RMB12.7 billion in 2023, representing a CAGR of 44.6%. The sales of business operations function SaaS products increased from RMB2.2 billion in 2013 to RMB10.8 billion in 2019, representing a CAGR of 30.3% and it is expected to further increase to RMB32.9 billion in 2023, representing a CAGR of 32.1%.

INDUSTRY OVERVIEW

China's SaaS market size by function



Source: CAICT, Gartner, Oliver Wyman analysis

We are one of the major payment service providers and first movers whose payment-based business services cover merchant SaaS products (e.g. food orders management, staff management, financial reporting, inventory management, chain-store management) and marketing tools (e.g. coupon distribution tool and precision marketing).

Payment-based fintech services in China

Payment service providers can provide fintech services to merchants and consumers such as operating loan to cater to their financing needs. To provide fintech services, payment service providers need to either obtain licenses from the relevant regulatory authorities, or to partner with financial institutions. With data assets accumulated from payment services and their understanding of merchants and consumers, payment service providers can streamline their customers' access to a range of financial products, such as facilitating the credit and pricing process.

KEY SUCCESSFUL FACTORS

The success of payment service providers in China is primarily driven by the following factors.

- **Merchant access capabilities.** Strong merchant access capabilities would generate more consumer traffic and attract more active customers to use payment services and even go beyond payment to use other business services.
- **First mover advantages.** For merchants, the cost of switching payment service providers is relatively high, given the inconvenience of switching and cost of equipment. First movers or early entrants could enjoy economy of scale because the marginal cost of providing the services to an additional user is minimal. Also, customers in this industry tend to be sticky, using services from only a few payment service providers.

INDUSTRY OVERVIEW

- **Business know-how.** Business service providers need to acquire deep understanding of the industry, including operating model, processes as well as broader regulatory requirements. As business expertise and niche industry knowledge take years to accumulate, depending on the specific vertical segment dynamics, this forms barriers for challengers from online-focused Internet company or IT solution company as they typically have no industry knowledge.
- **Technological and data analytics capabilities.** Leveraging advanced technological capabilities, such as data analytics and cloud computing, technology-based business service providers provide better services to their customers.
- **Agility to cope with dynamic market environment.** Leading payment and business service providers operate on a lean, product-based organization structure with teams working closely together. Such organizational structure enables fast-to-market product development, quick iterations and validated learning. An agile organization would also allow a dynamic customer-centric service design which is customized to a targeted, specific group of customers.
- **Capabilities to provide integrated and seamless business services for merchants.** Payment service providers need to provide an integrated business services platform with unique value propositions that solves a wide range of business functions for merchants, providing a seamless operation journey for them.
- **High quality customer service and risk management.** High quality customer service and risk management is very important to merchants and consumers who require responsive service to solve daily operational problems, maintenance (e.g. payment hardware equipment), payment processing and security issues. In addition, technology-based business service providers not only subject themselves to the same standards applicable to traditional players, they also leverage technological innovation to improve the traditional operational process and provide better services.

INDUSTRY TREND

There are a few industry trends in the third-party payment market:

- Due to the tightening of government supervision, it is observed that there has been increasing market consolidation in the third-party payment market. The PBOC has gradually increased the standard for third-party payment service providers, and no third-party payment licenses have been issued since 2016. The higher standard and stricter regulations imposed by the PBOC will increase the barriers for new entrants into the market.
- With the increasing penetration of smartphone and mobile Internet, payment services will continue to shift towards mobile. In the long term, more innovative payment methods, for example, facial recognition payment and other biometrics means of payment, will be applied in different payment scenarios.
- Leading players in the industry are offering “beyond payment” services to merchants as there has been a decline in market payment service fee rate from 15bps-20bps in 2016 to 10bps-15bps in 2019 and an increased demand from customers for value-added services. For instance, operating loans for merchants and consumer lending are the most common products launched by payment service providers. Some industry players are also expanding into the provision of business services for merchants.

INDUSTRY OVERVIEW

In 2014, the PBOC established the Digital Currency Research Team and started the research on digital currency electronic payment (the “**DC/EP**”) which aims to analyze the technical feasibility and needs for developing central bank digital currency. In order to leverage blockchain technology to develop an encrypted digital currency system, the PBOC launched a pilot program for the DC/EP in April 2020. The DC/EP adopts a two-layer operating mechanism, under which the PBOC exchanges the DC/EP to banks or other financial institutions, and these financial institutions conduct exchanges with the general public. According to the China International Economic Exchange Center, the aim of the DC/EP is not digitalizing current currency, but replacing the monetary base of China. The benefits of DC/EP are manifold, which includes (i) facilitating the use of Renminbi, (ii) reducing the reliance of accounts and (iii) capturing real-time data in currency flow. Although the introduction of DC/EP is expected to accelerate the development of mobile payment in China, as the program is still in pilot phase, there is insufficient visibility as to the impact of the DC/EP on consumers’ payment behavior and the payment service industry in China. The PBOC has selected Shenzhen, Suzhou and a few other cities as pilot cities for launching the pilot program. There is currently no concrete implementation timeline for the pilot program. We will closely monitor the latest development of the pilot program.

REGULATORY OVERVIEW

As a payment-based technology platform in the PRC, we are primarily engaged in providing payment services and value-added telecommunication services to merchants and consumers. We are required to comply with numerous laws and regulations related to third-party payment and value-added telecommunication services in the PRC.

REGULATIONS ON PAYMENT SERVICES OF NON-FINANCIAL INSTITUTIONS

Overview

The third-party payment industry has developed from a rising to thriving trend in the past decade. As the major regulatory authority for third-party payment businesses, the PBOC, individually and jointly with other competent authorities of relevant businesses, including the SAFE, CSRC and NDRC, successively formulated the regulations and regulatory requirements of material importance in respect of deposit and management of client reserve funds, bankcard acquiring, network payment and other regulations and regulatory requirements related to third-party payment businesses, which have gradually established the regulation framework for the third-party payment industry in the PRC.

The PBOC is the central bank of the People's Republic of China and is also the primary regulatory authority for the third-party payment institutions. The PBOC shall, under the leadership of the State Council, implement monetary policies, perform its functions, take precautions against and reduce systematic financial risks and maintain financial stability. Other industry supervision authorities for the third-party payment institutions, including the SAFE, CSRC, NDRC and others, have formulated and issued regulations related to the third-party payment industry, such as cross-border foreign exchange payment transactions, fund sales payment businesses and pricing of bankcards acquiring service fees, etc.

Payment & Clearing Association of China ("**PCAC**"), approved by the State Council and Ministry of Civil Affairs for its establishment, is a self-disciplined organization of the PRC payment and clearing service industry. The operations of PCAC are governed by the PBOC, with its purpose of complying with the industry standards of the payment and clearing service industry.

UnionPay is a bankcard association in China that realizes interoperability and resource sharing among commercial banking systems through the interbank transaction clearing system which ensures interbank, inter-regional and cross-border bankcard usage. The PBOC supervises the interbank transactions of bankcards mainly through the interbank transaction clearing system of UnionPay. NetsUnion is jointly promoted and established by PCAC under the guidance of the PBOC, primarily handling the online payment business involved in bank accounts and launched by non-bank payment institutions.

In addition to the permits, licenses, approvals or consents already obtained by us, in accordance with the existing laws, regulations and regulatory requirements of China, our principal business shall not be subject to other permits, licenses, approvals or consents. In light of the third-party payment industry being under continuous development and standardization, it is probable that the Company will still need to obtain other permits or approvals for its principal businesses in the future.

Payment License

According to the Administrative Measures on Non-Financial Institutions Payment Services (《非金融機構支付服務管理辦法》) (the "**Decree No. 2 of PBOC**") promulgated by the PBOC on June 14, 2010 and implemented on September 1, 2010 and the Implementation Rules for the Administrative Measures on Non-Financial Institutions Payment Services (《非金融機構支付服務管理辦法實施細則》) promulgated and implemented on December 1, 2010, payment services provided by non-financial institutions refer to part or all of the following monetary funds transfer services provided by non-financial institutions as intermediaries between the payer and the payee, including: (1) network payment; (2) issuance and acceptance of prepaid cards; (3) bankcard acquiring; and (4) other payment services determined by the PBOC.

REGULATORY OVERVIEW

A non-financial institution that intends to provide any of the above-mentioned payment services shall obtain the payment service license of the PRC (《中華人民共和國支付業務許可證》, the “**Payment License**”) in accordance with terms and conditions as stipulated in the Decree No.2 of PBOC, and such non-financial institution after obtaining the Payment License becomes a qualified payment institution. However, monetary funds transfers between two payment institutions shall only be processed by a banking financial institution, instead of depositing monetary funds with each other or being processed by other payment institutions. The Payment License shall be valid for five years from the date of issuance and shall be extended before expiry. Where a branch of a payment institution also engages in the payment business, each of the payment institution and its branch shall go through record-filing procedures with local branch of the PBOC. The payment institution shall provide payment services within the approved business scope as specified in the Payment License, and shall not outsource its payment services to others. The payment institution shall not transfer, lease or lend the Payment License to others. See “Risk Factors — Risks Relating to our Business and Industry - We are subject to extensive regulations in the payment and business services industry. Non-compliance with or changes to the regulations or licensing regimes may materially affect our business operations and financial results.” and “Business — Legal and Regulatory Proceedings and Compliance — Regulatory Inspections.”

According to our Payment License issued by the PBOC, our approved business scope of payment services include mobile phone payment and bank card acquiring.

Regulations on Foreign Investment in the Payment Services

According to the Decree No. 2 of PBOC, the business scope of the foreign-invested payment institutions, the qualifications and the ratio of contributions of the foreign investors shall be separately stipulated by the PBOC and submitted to the State Council for approval. According to the Announcement No. 7 of the People’s Bank of China (2018) (《中國人民銀行公告(2018)第7號》) (the “**No. 7 Announcement**”) issued by the PBOC on March 19, 2018 and took effect on the same day, upon approval by the State Council, pursuant to the Law of the People’s Republic of China on the People’s Bank of China and Decree No. 2 of PBOC, the relevant requirements of the foreign-invested payment institutions include the following: (1) an overseas institution intending to provide electronic payment services for domestic transactions and cross-border transactions of domestic entities in the PRC shall establish a foreign-invested enterprise in the PRC, and obtain a Payment License in accordance with the criteria and procedures stipulated in Decree No. 2 of PBOC; (2) a foreign-invested payment institutions shall possess a secured and standardized business system and a disaster recovery system in the PRC which can complete payment transactions independently; (3) storage, processing and analysis of personal information and financial information collected and generated in the PRC by a foreign-invested payment institution shall be carried out in China. Where it is necessary to transmit such information 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 institutions shall require the overseas entity(ies) to perform the corresponding information confidentiality obligations, and obtain the consent of the owners of personal information; and (4) corporate governance, routine business operation, risk management, fund processing, deposit of reserves and contingency arrangements of foreign-invested payment institutions shall comply with the regulatory requirements of the PBOC for non-bank payment institutions. As confirmed by our PRC Legal Advisors, the No. 7 Announcement only sets out the general requirements for new application of Payment Licenses by overseas institution, but has not promulgated any detailed requirements and measures for the implementation of the change of domestic institutions which have obtained Payment Licenses into foreign-invested payment institutions.

Regulations on Network Payment

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 “**Administrative Measures on Network Payment**”) promulgated by the PBOC on December 28, 2015 came into force on July 1, 2016. According to the Administrative Measures on Network Payment, 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. According to the Decree No.2 of PBOC, the network payment businesses include currency exchange, internet payment, mobile payment, telephone payment and digital television payment. Our approved network payment businesses currently include national mobile phone payment.

The Administrative Measures on Network Payment stipulates that a real-name management system shall apply when the payment institutions provide the network payment services. A payment institution shall register the real name and identity information of the account holder, and take effective measures to verify such information. The individual payment accounts are divided into category I, II and III payment accounts according to the different validation methods and the degree of effectiveness of the validation, and managed separately. The larger number of legal and safe external cross-validation of the individual payment accounts and the more reliable methods of authentication provided, the higher the level of payment services is available to the customer. The payment institution shall guarantee the authenticity, integrity, traceability of the transaction information and the consistency in the whole payment, and shall not tamper with or conceal the transaction information.

With regard to risk management and protection of clients’ rights and interests, the Administrative Measures on Network Payment stipulates that 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 Administrative Measures on Network Payment 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.

The Payment and Settlement Department of the PBOC issued 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》) to require that starting from June 30, 2018, all the non-bank payment institutions’ network payment business involving bank accounts shall be processed through the NetsUnion.

According to the Notice on Further Strengthening the Rectification of Unlicensed Operation of Payment Business (《關於進一步加強無證經營支付業務整治工作的通知》) issued by the General Office of the PBOC on November 13, 2017, the PBOC would impose greater penalties to the unlicensed entities engaging in the payment business, and would cut off the payment business channels used by such unlicensed entities.

Regulations on Bankcard Acquiring Business

The Administrative Measures on Bankcard Acquiring Services (《銀行卡收單業務管理辦法》) (“**Measures on Bankcard Acquiring**”) promulgated by the PBOC on July 5, 2013 came into force on the same day. According to the Measures on Bankcard Acquiring, bankcard acquiring business refers to the activities that bankcard acquirers provide specially engaged commercial businesses with transaction funds settlement services after the specially engaged merchants acquire bankcards and conclude transactions with related cardholders based on the bankcard acceptance agreement signed between the bankcard acquirers and the specially engaged merchants. The bankcard acquirers include payment institutions which provide offline merchants with bankcard acceptance and settlement services under Payment License of bankcard acquiring as well as payment institutions which provide internet merchants with bankcard acceptance and settlement services under Payment License of network payment.

The Measures on Bankcard Acquiring requires the bankcard acquirers to conduct real-name management of the merchants and to follow the principle of “know your client”; 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. Meanwhile, the Measures on Bankcard Acquiring requires the bankcard acquirers shall safeguard the legitimate rights and interests of the parties concerned according to law, and ensure information security and transaction security and 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 Measures on Bankcard Acquiring provides relevant business compliance requirements for non-bank payment institutions to engage in bankcard acquiring business, including setting up and sending acquiring transaction information according to the regulations. The institution 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 institution shall coordinate with the bankcard-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.

Regulations on Outsourcing of Bankcard Acquiring Business

The PBOC promulgated 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》) (“**Notice on Outsourcing Management**”) on June 28, 2015, which took effect on the same day. The Notice on Outsourcing Management 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.

Pricing Mechanism of Bankcard Transaction Fee

The NDRC and the PBOC promulgated the Notice on the Improvement of Pricing Mechanism of Bankcard Transaction Fee (《關於完善銀行卡刷卡手續費定價機制的通知》) (“**Notice on Improvement of Pricing Mechanism**”) on March 14, 2016, which took effect on the same day. According to the Notice on Improvement of Pricing Mechanism, the pricing of bankcard acquiring processing fee became more market-driven, the original rules of UnionPay stipulating that the acquiring processing fees were shared among issuing banks, bankcard acquirers and UnionPay in the proportion of approximately 70%, 20% and 10% respectively were cancelled, the service fees charged by the bankcard acquirers will be changed from the prevailing government-guided price to the market-adjusted price, and the specific rates shall be determined after negotiation between bankcard acquirers and the merchants. In addition, the Notice on Improvement of Pricing Mechanism also reduces the issuing bank’s service fees, the rate level of which shall be no more than 0.35% of the transaction amount by debit cards and no more than 0.45% of the transaction amount by credit cards. Meanwhile, the interchange fee rates charged by bankcard clearing institutions to bankcard acquirers shall not be higher than 0.0325% (not more than RMB3.25 for a single charge amount).

Regulations on the Management of Client Reserve Funds

The Decree No. 2 of PBOC stipulates that the ratio of the paid-in capital to the daily average balance of client reserve funds shall not be less than 10%. According to Decree No. 2 of PBOC, the client reserve funds received by payment institutions shall not constitute self-owned property of such payment institutions; payment institutions shall transfer client reserve funds as per the payment instructions given by clients; payment institutions shall not embezzle client reserve funds in any form. The Administrative Measures on Depository of Client Reserve Funds of Payment Institutions (《支付機構客戶備付金存管辦法》) (“**Measures on Client Reserve Funds Depository**”) promulgated by the PBOC on June 7, 2013 came into force on the same day. The Measures on Client Reserve Funds Depository stipulates that payment institutions shall deposit the full monetary capital (client reserve funds) received in advance to handle the payment business on behalf of the client to the special deposit account opened by payment institutions with the depository bank. The Measures on Client Reserve Funds Depository also strictly regulates the storage, accumulation, use, transfer and other depository activities of the client reserve funds.

The Measures on Client Reserve Funds Depository also stipulates that a payment institution shall accrue risk reserve funds on a quarterly basis which shall then be deposited into a designated risk reserve deposit account opened in the depository bank or its authorized branch for the purpose of compensating against specific losses of client reserve funds and other purposes required by the PBOC. The risk reserve funds shall be accrued at a certain percentage of the total interests of all accounts of the reserve bank.

The Notice on the Implementation of Centralized Deposit of Client Reserve Funds of the Payment Institution issued by the General Office of the PBOC (《中國人民銀行辦公廳關於實施支付機構客戶備付金集中存管有關事項的通知》) (“**Notice on Deposit**”) was promulgated by the General Office of the PBOC on January 13, 2017. The Notice on Deposit requires that payment institutions shall deposit the client reserve funds with a certain proportion to the special deposit account of the appointed authority. According to the Notice on Deposit, interest shall not be paid on the client reserve funds.

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The General Office of the PBOC issued the Guidelines for Deposit of Part of the Client Reserve Funds in the PBOC by Payment Institutions (《支付機構將部份客戶備付金交存人民銀行操作指引》) ("**Operation Guidelines**") on March 6, 2017, and it took effect on the same day. According to the Operation Guidelines, payment institutions shall, starting from April 17, 2017, designate a branch of provision depository bank at the place of the legal person as the depository bank, and the branch of the PBOC at the place of the depository bank shall open a special savings account to handle the deposit of client reserve funds.

The General Office of the PBOC issued Notice on Adjustment of Centralized Deposit Proportion of Client Reserve Funds by Payment Institutions (《關於調整支付機構客戶備付金集中交存比例的通知》) ("**Notice on Adjustment of Centralized Deposit Proportion**") on December 29, 2017, which took effect on the same day. According to the Notice on Adjustment of Centralized Deposit Proportion, the original centralized deposit proportion shall still be executed in January 2018, and the centralized deposit proportion shall be increased by 10% monthly from February to April. Starting from the second quarter of 2018, the adjustment will take place quarterly.

Regulations on Anti-Money Laundering and Anti-Terrorism Financing

The Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) ("**Anti-Money Laundering Law**") promulgated by the Standing Committee of the National People's Congress on October 31, 2006 came into force on January 1, 2007. The Anti-Money Laundering Law stipulates that specific non-financial institutions under anti-money laundering obligations shall take precautionary and monitoring measures and comply with their anti-money laundering obligations, including establishing a sound client identification system, client identification information and transaction record-keeping system, block transaction and suspicious transaction reporting system. According to the Decree No. 2 of PBOC, payment institutions with the Payment License shall comply with the regulations related to the Anti-Money Laundering Law and comply with anti-money laundering obligations. The PBOC and its branches shall conduct regular or occasional site inspections and non-site inspections of the anti-money laundering work of payment institutions in accordance with the law.

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》) ("**YF Decree No. 54**") promulgated by the PBOC on March 5, 2012 came into force on the same day. The YF Decree No. 54 stipulates that payment institutions which have obtained the Payment License shall carry out the obligations of anti-money laundering and anti-terrorism financing in accordance with the law. The main aspects include client identification, client identification information and transaction record-keeping, suspicious transaction reports, anti-money laundering and anti-terrorism financing surveys, etc. The Management Measure on Large and Suspicious Transactions Reporting for Financial Institutions (amended in 2016) (《金融機構大額交易和可疑交易報告管理辦法》(2016年修訂)) ("**YF Decree No.3**") was promulgated by the PBOC on December 28, 2016, came into effect on July 1, 2017, and was amended on July 26, 2018. YF Decree No.3 stipulates that payment institutions shall fulfill their obligations of reporting large transactions and suspicious transactions and formulate internal management systems and operational regulations and procedures for reporting large transactions and suspicious transactions to establish a sound monitoring system for large transactions and suspicious transactions.

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Regulations on Financial Consumers Protection

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》) promulgated by the PBOC on December 14, 2016 came into force on the same day. The regulations provided that 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. Since December 2015, relevant domestic regulations have required us to disclose complaints lodged by users on the payment services on our own platform.

Regulations on Detection and Authentication Management of Payment Business System

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》) promulgated by the PBOC on June 16, 2011 came into force on the same day. The regulations implement payment business safety management requirements for the third-party payment institution business system and communication system, etc. The PBOC is responsible for the approval and management of inspection and qualification verification. Certification institutions which are recognized and approved by relevant national authorities as well as certified and authorized by the PBOC are qualified to conduct inspections and certifications on the business system of third-party payment institutions.

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)》) (the "Rules") issued by the PBOC on December 25, 2017, which came into force on April 1, 2018, it is expressly stipulated that 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. The 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 COMMERCIAL FACTORING BUSINESS

The MOFCOM promulgated the Notice of the Ministry of Commerce on Issues Concerning Pilot Program of Commercial Factoring (Letter of the MOFCOM [2012] No. 419) (《商務部關於商業保理試點有關工作的通知》(商資函[2012]419號)) (the "Notice") on June 27, 2012, pursuant to which, a commercial factoring company may provide trade financing, sales account management, customer credit investigation and evaluation, accounts receivables management and collection, credit risk guarantee and other services through commercial factoring pilot program in Binhai New Area, Tianjin and Pudong New Area, Shanghai.

The MOFCOM promulgated the Reply of the Ministry of Commerce on the Implementation of the Pilot Program of Commercial Factoring (Letter of the MOFCOM [2012] No. 919) (《商務部關於商業保理試點實施方案的覆函》(商資函[2012]919號)) on October 9, 2012 to specify that a commercial factoring company shall have more than two senior management personnel who have

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management experience in financial sector and no unfavorable credit record, and foreign investors or its affiliated entities shall have the track record and experience in factoring business. When commencing its business, the risk assets of a commercial factoring company shall not exceed ten times of its net assets. A commercial factoring company shall complete registration of transfer of accounts receivables through the system for publicizing the registration of pledge receivables established by the Credit Information Center of the PBOC to publicize its status of ownership of accounts receivables.

REGULATIONS ON MICRO-CREDIT BUSINESS

According to the Guiding Opinion on the Pilot Operation of Micro Credit Companies (《關於小額貸款公司試點的指導意見》) (the "**Guiding Opinion**") which was promulgated by the CBRC and the PBOC on May 4, 2008, a micro credit company is a company that specializes in operating a micro-credit business with investments from natural persons, legal entities or other social organizations, and which does not accept public deposits. The establishment of a micro credit company is subject to the approval of the competent government authority at the provincial level. The provincial governments may launch the pilot operation of micro credit companies within their prefectural regions if they could designate a competent department, financial affairs office or other relevant institutions to be responsible for the supervision and administration of micro credit companies and willing to take responsibility for handling the micro credit companies' risks.

According to the Administrative Measures for Micro Credit Companies in Guangdong Province (Trial) (《廣東省小額貸款公司管理辦法(試行)》) promulgated by Guangdong Financial Affairs Office on August 28, 2008 which took effect on the same day, to establish a small loan company, the following requirements shall be met:

- the company shall have the articles of association required by the Company Law of the PRC;
- for a limited liability company, the registered capital shall be no less than RMB30 million (no less than RMB15 million in the mountainous regions); for a joint stock limited liability company, the registered capital shall be no less than RMB50 million (no less than RMB20 million in the mountainous regions); all capital must be from an authentic and legitimate source and must be paid-in currency in a lump sum. During the pilot period, the maximum registered capital is RMB200 million. For the company which operates well and meets all the relevant regulatory requirements, it may apply for capital increase;
- the shareholding of the major promoters (or the largest shareholders) together with their affiliates shall be less than 45%; the shareholding of each major promoter (or the largest shareholder) together with its affiliates shall be less than 20%; the shareholding of other single shareholder together with its affiliates shall be less than 10%, and the shareholding of a single shareholder shall be no less than 1%. The shares or equity interests held by the major promoters (or the largest shareholders) should not be transferred within three years after the establishment of the company, and the shares or equity interests held by other shareholders should not be transferred within two years after the establishment of the company;
- it has qualified senior management personnel with the relevant expertise and professional experience;

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- it has qualified employees with the relevant expertise and professional experience;
- it has necessary organizations and management system;
- it has necessary business places, safety protection measures and other business related facilities for business which meet the relevant regulatory requirements; and
- other conditions required by the competent provincial governmental body.

According to the Notice of Pilot Application and Operation of Guangzhou Local Finance Street Micro Credit Companies (《廣州民間金融街小額貸款公司先行先試申報設立通告》) promulgated by Guangzhou Local Finance Supervision and Administration Bureau, a small loan company established in the Guangzhou local finance street shall meet the following requirements:

- the shareholding of the major promoters together with their affiliates shall be no less than 35%;
- the registered capital shall be no less than RMB200 million and the maximum registered capital shall be no more than RMB500 million;
- the major promoters shall have no unlawful records in the industry and commerce, taxation or public security departments, and the major promoters' registered capital shall be no less than the registered capital invested into the small loan company, and the net asset of the major promoters shall be no less than RMB50 million with an asset-liability ratio of no more than 70%. A major promoter shall make profit in the recent three consecutive years with a total profit of RMB10 million or above with a net income of RMB3 million in the most recent year. The equity investment balance (on a consolidated accounting statements basis, including the amount of the investment in small loan companies) of the major promoter shall not exceed 50% of its net assets;
- the general manager, vice-general manager and senior officers of the small loan company shall have experience working in the banking industry or relevant finance industry; and
- other conditions required under the Administrative Measures for Micro Credit Companies in Guangdong Province (Trial) (《廣東省小額貸款公司管理辦法(試行)》).

REGULATIONS ON PERSONAL INFORMATION AND PRIVACY PROTECTION

The Regulations on Protection of Personal Information of Telecommunications and Internet User (《電信和互聯網用戶個人信息保護規定》), which was promulgated by the MIIT and became effective on September 1, 2013, regulates the collection and use of users' personal information in the provision of telecommunication services and internet information services in mainland China. The personal information includes the user's name, birth date, identification card number, address, phone number, account name, password and other information that can be used for identifying a user.

According to the Several Provisions on Regulation of the Order of Internet Information Service Market (《規範互聯網信息服務市場秩序若干規定》) promulgated by MTT on December 29, 2011 and which took effect on March 15, 2012, without the consent of the users, internet information service providers shall not collect information relevant to the users that can lead to the recognition of the identity of the users independently or in combination with other information, nor shall they provide personal information of users to others, unless provided by laws and administrative

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regulations. An internet information service provider must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. An internet information service provider is also required to properly maintain the user personal information, and in case of any leak or likely leak of the user personal information, internet information service providers shall immediately take remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority.

According to the Cyber Security Law (《網絡安全法》) (the "**Cyber Security Law**") which was promulgated by the Standing Committee of the National People's Congress and became effective on June 1, 2017, network operators, including internet information service providers, must take technical measures and other necessary measures in accordance with the provisions of applicable laws and regulations as well as the compulsory requirements of the national and industrial standards to safeguard the safe and stable operation of networks, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. An internet service provider which violates the provisions or requirements under the Cyber Security Law may be subject to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites or even criminal liabilities.

REGULATIONS ON VALUE-ADDED TELECOMMUNICATION SERVICES

Licenses for Value-added Telecommunications Services

The Telecommunications Regulations of the People's Republic of China (《中華人民共和國電信條例》) (the "**Telecommunications Regulations**"), promulgated by the State Council on September 25, 2000 and last amended on February 6, 2016, provides a regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations requires telecommunications services providers to obtain an operating license prior to the commencement of their operations. The Telecommunications Regulations categorizes telecommunications services into basic telecommunications services and value-added telecommunications services. According to the Catalog of Telecommunications Services (《電信業務分類目錄》), attached to the Telecommunications Regulations, which was promulgated by the Ministry of Information Industry of the PRC (the "**MII**", which is the predecessor of the MIIT) on February 21, 2003 and last amended by the MIIT on June 6, 2019, information services provided via fixed network, mobile network and Internet fall within value-added telecommunications services.

On March 1, 2009, the MIIT issued the Administrative Measures for the Licensing of Telecommunications Business (《電信業務經營許可管理辦法》) (the "**Telecom Licensing Measures**"), which took effect on April 10, 2009 and was last amended on July 3, 2017. The Telecom Licensing Measures confirms that there are two types of telecom operating licenses for operators in China, namely, licenses for basic telecommunications services and licenses for value-added telecommunications services (the "**VATS License**"). The operation scope of the license will detail the permitted activities of the enterprise to which it was granted. An approved telecommunications services operator shall conduct its business in accordance with the specifications listed in its VATS License. In addition, the holder of a VATS License is required to obtain approval from the original issuing authority in respect of any change to its shareholders.

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On September 25, 2000, the State Council promulgated the Administrative Measures for Internet Information Services (《互聯網信息服務管理辦法》) (the “**Internet Information Measures**”), which was amended on January 8, 2011. Under the Internet Information Measures, commercial Internet information services operators shall obtain a VATS License with the business scope of Internet information service (an “**ICP License**”), from the relevant government authorities before engaging in any commercial Internet information services operations within the PRC. The provision of information services through mobile applications is subject to the PRC laws and regulations governing internet information services. In addition, on June 28, 2016, the State Internet Information Office promulgated the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》) (the “**Mobile Application Administrative Provisions**”) to strengthen the regulation of the mobile application information services. Pursuant to the Mobile Application Administrative Provisions, a mobile internet application program provider must verify a user’s mobile phone number and other identity information under the principle of mandatory real name registration at the back-office end and voluntary real name display at the front-office end. A mobile internet application program provider must not enable functions that can collect a user’s geographical location information, access user’s contact list, activate the camera or recorder of the user’s mobile smart device or other functions irrelevant to its services, nor is it allowed to conduct bundle installations of irrelevant application programs, unless it has clearly indicated to the user and obtained the user’s consent on such functions and application programs. Furthermore, on December 16, 2016, the MIIT promulgated the Interim Administrative Provisions on the Pre-Installation and Distribution of Mobile Smart Terminal Application Software (《移動智能終端應用軟件預置和分發管理暫行規定》) (the “**Mobile Application Interim Provisions**”) which took effect on July 1, 2017. The Mobile Application Interim Provisions requires, among others, that Internet information services providers must ensure that a mobile application, as well as its ancillary resource files, configuration files and user data can be uninstalled by a user on a convenient basis, unless it is a basic functional software, which refers to a software that supports the normal functioning of hardware and operating system of a mobile smart device.

The content of the Internet information is highly regulated in China and pursuant to the Internet Information Measures, the PRC government may shut down the websites of ICP License holders and revoke their ICP Licenses if they produce, reproduce, disseminate or broadcast Internet content that contains content that is prohibited by law or administrative regulations. Commercial Internet information services operators are also required to monitor their websites. They may not post or disseminate any content that falls within the prohibited categories, and must remove any such content from their websites, save the relevant records and make a report to the relevant governmental authorities.

Restrictions on Foreign Investment

Investment activities in the PRC by foreign investors are mainly governed by the Catalog for the Guidance of Foreign Investment Industries (revised in 2017) (《外商投資產業指導目錄(2017年修訂)》) (the “**Catalog (2017 Edition)**”), which was promulgated jointly by the MOFCOM and the NDRC on June 28, 2017 and became effective on July 28, 2017. The Catalog (2017 Edition) divides industries into four categories in terms of foreign investment. Those categories are: “encouraged”, “restricted”, “prohibited” and all industries not listed under one of these categories are deemed to be “permitted.” On June 28, 2018, NDRC and MOFCOM promulgated the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資准入特別管理措施(負面清單)(2018年版)》) (the “**Negative List (2018 Edition)**”), which came into force from July 28, 2018 and superseded the categories of “restricted” and “prohibited” for foreign investment as

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provided in the Catalog (2017 Edition). On June 30, 2019, NDRC and MOFCOM issued the Special Administrative Measures for Access of Foreign Investment (Negative List) (2019 Edition) (《外商投資准入特別管理措施(負面清單)(2019年版)》) (the “**Negative List (2019 Edition)**”) which became effective on July 30, 2019 and replaces the Negative List (2018 Edition), and the Catalog of Industries for Encouraged Foreign Investment (2019 Edition) (the “**Encouraged Catalog**”) which became effective on July 30, 2019 and supersedes the categories of “encouraged” for foreign investment as provided in the Catalog (2017 Edition). According to the Negative List (2019 Edition), foreign investment in the value-added telecommunications enterprises shall be subject to a restriction of up to 50% equity ratio except the e-commerce operation, domestic multi-party communications, store-and-forward and call center.

Specifically, foreign direct investment in telecommunications companies in China is governed by the Administrative Provisions on Foreign-Invested Telecommunications Enterprises (revised in 2016) (《外商投資電信企業管理規定》(2016年修訂)), which was promulgated by the State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016. The regulations require foreign-invested value-added telecommunications enterprises in China to be established as Sino-foreign equity joint ventures, which the foreign investors may acquire up to 50% of the equity interests of such enterprise. In addition, the main foreign investor who invests in a foreign-invested value-added telecommunications enterprises operating the value-added telecommunications business in China must demonstrate a good track record and experience in operating a value-added telecommunications business. Moreover, foreign investors that meet these requirements must obtain approvals from the MIIT and MOFCOM, or their authorized local counterparts, for the commencement of value-added telecommunication business in China.

In July 2006, the MII released the Circular on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) (the “**MIIT Circular**”) pursuant to which, domestic telecommunications enterprises were prohibited to rent, transfer or sell a telecommunications business operation license to foreign investors in any form, or provide any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications business in China. In addition, under the MII Circular, the Internet domain names and registered trademarks used by a foreign-invested value-added telecommunication service operator shall be legally owned by that operator (including any shareholder thereof).

REGULATIONS ON FOREIGN EXCHANGE

Regulations on Dividend Distribution

The principal laws and regulations regulating the distribution of dividends by foreign-invested enterprises in the PRC include the Company Law of the PRC (《中華人民共和國公司法》) last amended in 2018, the Law of the PRC on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》) promulgated in 1986 and last amended in 2016 and its implementation regulations promulgated in 1990 and subsequently amended in 2001 and 2014, the Law of the PRC on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) promulgated in 1979 and last amended in 2016 and its implementation regulations promulgated in 1983 and last amended in 2014, and the Law of the PRC on Sino-Foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》) promulgated in 1988 and last amended in 2017 and its implementation regulations promulgated in 1995 and last amended in 2017. Under the current regulatory regime in the PRC, foreign-invested enterprises in the PRC may pay dividends only out of

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their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside as general reserves (法定公積金) at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year. Wholly foreign-owned companies may, at their discretion, allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

On July 4, 2014, the SAFE issued the Circular concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular No. 37**”). Under the SAFE Circular No. 37, domestic residents in the PRC are required to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such domestic residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a “special purpose vehicle”. SAFE Circular No. 37 further requires that in the event the change of basic information of the registered offshore special purpose vehicle such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the change of foreign exchange registration formality for offshore investment. At the same time, the SAFE has issued the Operation Guidance for the Issues concerning Foreign Exchange Administration over Round-trip Investment (《返程投資外匯管理所涉業務操作指引》) (the “**Operating Guidance**”) with respect to the procedures for SAFE registration under the SAFE Circular No. 37, which became effective on July 4, 2014 as an attachment to SAFE Circular No. 37. According to the Operating Guidance, a domestic individual resident is only required to register for the first level of special purpose vehicle he/she directly owned or controlled.

On February 13, 2015, SAFE promulgated the Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《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》) effective from June 1, 2015, which cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment. In addition, it simplifies the procedure of registration of foreign exchange and investors shall register with banks to have the registration of foreign exchange under the condition of direct domestic investment and direct overseas investment. However, remedial registration applications made by PRC residents that previously failed to comply with the SAFE Circular No. 37 continue to fall under the jurisdiction of the relevant local branch of SAFE. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the special purpose vehicle may be prohibited from distributing profits to the PRC shareholder and from carrying out subsequent cross-border foreign exchange activities. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Regulations on Stock Incentive Plans

In February 2012, the SAFE issued the Circular concerning the Administration of Foreign Exchange Used for Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Overseas (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**Stock Option Rules**"), replacing the previous rules issued by the SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly-listed company are required to register with the SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. The PRC agents must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. Under the Circular of the State Administration of Taxation on Issues concerning Individual Income Tax in Relation to Equity Incentives (《國家稅務總局關於股權激勵有關個人所得稅問題的通知》) promulgated by the SAT and effective from August 24, 2009, listed companies or their domestic organizations shall, according to the individual income tax calculation methods for "wage and salary income" and stock option income, lawfully withhold and pay individual income tax on such income.

REGULATIONS ON TAX

Enterprise Income Tax

On March 16, 2007, the National People's Congress promulgated the EIT Law which was last amended on December 29, 2018, the State Council enacted the EIT Rules which came into effect on January 1, 2008 and was last amended on April 23, 2019. According to the EIT Law and EIT Rules, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto management is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is usually applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

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Circular on Issues Concerning the Identification of Chinese-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance With the Actual Standards of Organizational Management (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) promulgated by SAT on April 22, 2009 and Announcement on Issues concerning the Determination of Resident Enterprises Based on the Standard of Actual Management Institutions promulgated by the SAT (《國家稅務總局關於依據實際管理機構標準實施居民企業認定有關問題的公告》) on January 29, 2014 set out the standards and procedures for determining whether the “de facto management body” of an enterprise or enterprise groups registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC.

The EIT Law and the implementation rules provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are “non-resident enterprises,” and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and other jurisdictions. Pursuant to the Agreement 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 Incomes (《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 “**Double Tax Avoidance Arrangement**”) and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% if the resident enterprise holds at least 25% of the equity interest in the PRC resident enterprise. However, based on the Circular of the SAT on Relevant Issues concerning the Implementation of 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》) issued on February 20, 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment.

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》), effected on January 1, 2008 and amended on January 29, 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 and Business Tax

According to the Interim Value-Added Tax Regulations of the PRC (《中華人民共和國增值稅暫行條例》) (the “**VAT Regulations**”), which was promulgated by the State Council on December 13, 1993 and was amended in November 2008, February 2016 and November 2017, and the Implementing Rules for the Interim 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》), which was first promulgated by the Ministry of Finance (the “**MOF**”) and the SAT on December 18, 2008 and subsequently amended on October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax.

Pursuant to the Interim Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》) (the “**Business Tax Regulations**”), which became effective on January 1, 1994 and were subsequently amended on November 10, 2008 and abolished on November 19, 2017, and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC shall pay business tax. The scope of services which constitute taxable services and the rates of business tax are prescribed in the Taxable Items and Tax Rates Form for Business Tax (《營業稅稅目稅率表》) attached to the regulation. On January 1, 2012, the MOF and the SAT have implemented the Pilot Proposals for the Collection of Value-Added Tax in Lieu of Business Tax (《營業稅改徵增值稅試點方案》) (the “**VAT Pilot Proposals**”), which imposes VAT in lieu of business tax for certain “modern service industries” in certain regions and eventually expanded to nation-wide application in 2013. According to the implementation circulars released by the MOF and the SAT on the VAT Pilot Proposals, the “modern service industries” include research and development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. According to the Notice of the MOF and the SAT on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (《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》) which became effective on May 1, 2016, entities and individuals engaging in the sale of services, intangible assets or fixed assets within the territory of the PRC are required to pay value-added tax instead of business tax. The State Council amended the VAT Regulations and abolished the Business Tax Regulations concurrently on November 19, 2017. Following the implementation of the VAT Pilot Proposals, most of our PRC subsidiaries and affiliates have been subject to VAT, at a rate of 6%, instead of business tax.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

The Copyright Law

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

The Copyright Law of the PRC (Revised in 2010) (《中華人民共和國著作權法》(2010年修訂)) (the “**Copyright Law**”) provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The purpose of the Copyright Law aims to encourage the creation and dissemination of works which are beneficial for the construction of socialist spiritual civilization and material civilization and promote the development and prosperity of Chinese culture.

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Measures on Administrative Protection of Internet Copyright (《互聯網著作權行政保護辦法》), that were promulgated by the MII and National Copyright Administration (the “NCA”) and took effect on May 30, 2005, provide that an Internet information service provider shall take measures to remove the relevant contents, record relevant information after receiving the notice from the copyright owner that some content communicated through Internet infringes upon his/its copyright and preserve the copyright owner’s notice for six months. Where an Internet information service provider clearly knows an Internet content provider’s tortious act of infringing upon another’s copyright through Internet, or fails to take measures to remove relevant contents after receipt of the copyright owner’s notice although it does not know it clearly, and meanwhile damages public benefits, the infringer shall be ordered to stop the tortious act, and may be imposed of confiscation of the illegal proceeds and a fine of not more than three times the illegal business amount; if the illegal business amount is difficult to be calculated, a fine of not more than RMB100,000 may be imposed.

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) (the “**Software Copyright Measures**”), promulgated by the NCA on February 20, 2002, regulates registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The NCA shall be the competent authority for the nationwide administration of software copyright registration, and the Copyright Protection Centre of China (the “CPC”) is designated as the software registration authority. The CPC shall grant registration certificates to the computer software copyrights applicants which conform to the provisions of the Software Copyright Measures and the Regulations on Computer Software Protection (Revised in 2013) (《計算機軟件保護條例》(2013年修訂)).

Provisions of the Supreme People’s Court on Several Issues Concerning the Application of Law to Trial of Civil Dispute Cases of Infringement of Information Network Transmission Right (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》) provides that web users or web service providers who create works, performances or audio-video products, for which others have the right of dissemination through information networks or are available on any information network without authorization shall be deemed to have infringed upon the right of dissemination through information networks.

The Trademark Law

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001 and August 30, 2013 respectively as well as the Implementing Regulations of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) adopted by the State Council on August 3, 2002 and subsequently amended on April 29, 2014. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The Trademark Office under the SAIC handles trademark registrations and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. As with trademarks, the PRC Trademark Law has adopted a “first come, first file” principle with respect to trademark registration. Where trademark for which a

REGULATORY OVERVIEW

registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

Domain Names

Internet domain name registration and related matters are primarily regulated by the Administrative Measures for the Internet Domain Names of China (《中國互聯網絡域名管理辦法》), issued by MII on November 5, 2004 and effective as of December 20, 2004 which was replaced by the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) issued by MIIT on August 24, 2017 and effective as of November 1, 2017, and the CNNIC Implementing Rules of Domain Name Registration (《中國互聯網絡信息中心域名註冊實施細則》) issued by China Internet Network Information Center on May 28, 2012, which became effective on May 29, 2012. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

The Patent Law

According to the Patent Law of the PRC (Revised in 2008) (《中華人民共和國專利法》(2008年修訂)) promulgated by the Standing Committee of the National People's Congress, and its Implementation Rules (Revised in 2010) (《中華人民共和國專利法實施細則》(2010年修訂)) promulgated by the State Council, the China National Intellectual Property Administration is responsible for administering patents in the PRC. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The Patent Law of the PRC and its implementation rules provide for three types of patents, "invention", "utility model" and "design". Invention patents are valid for twenty years, while design patents and utility model patents are valid for ten years, from the date of application. The Chinese patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, an invention or utility model must meet three criteria: novelty, inventiveness and practicability. A third-party player must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

The Labor Contract Law

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the "**Labor Contract Law**"), which was implemented on January 1, 2008 and amended on December 28, 2012, is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with national regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner.

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According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated on July 5, 1994 and effective on January 1, 1995 and last amended on December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection.

Social Insurance and Housing Fund

As required under the Regulations on Work-Related Injury Insurance (《工傷保險條例》) implemented on January 1, 2004 and amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the Regulations on Unemployment Insurance (《失業保險條例》) promulgated on January 22, 1999 and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) implemented on July 1, 2011 and amended on December 29, 2018, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

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

REGULATIONS ON M&A AND OVERSEAS LISTING

On August 8, 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, promulgated the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "M&A Rules"), a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and was revised on June 22, 2009. Foreign investors should comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the asset; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the assets. The M&A Rules, among other things, purports to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

REGULATORY OVERVIEW

FOREIGN INVESTMENT LAW (2019)

The Foreign Investment Law of PRC (2019) (《中華人民共和國外商投資法》) (the “**FIL**”) was adopted at the Second Session of the Thirteenth National People’s Congress of the PRC on March 15, 2019 and came into force on January 1, 2020.

The FIL stipulates the regulation of foreign investments by way of affording treatment equivalent to national prior to establishment of the foreign investments and by way of having a “negative list”. The “negative list”, which will be issued by or upon approval by the State Council, refers to special administrative measures for access of foreign investment in specific fields in China. A foreign investor shall not invest in any field prohibited from foreign investment under the “negative list”. A foreign investor shall meet the investment conditions stipulated under the “negative list” for any restricted fields under the “negative list”. For fields not mentioned in the “negative list”, domestic and foreign investments shall be treated equally. The FIL does not set out the “negative list.”

Differing from the definition of “foreign investors” stipulated in the Foreign Investment Law (2015 Draft), the definition of “foreign investors” in the FIL only includes foreign natural persons, enterprises and other organizations, which does not include enterprises incorporated within the territory of China in accordance with Chinese laws but controlled by foreign natural persons or entities.

Moreover, the FIL does not stipulate whether “foreign investment” as defined thereunder includes contractual arrangements. Instead, it adds a catch-all provision to the definition of foreign investment so that foreign investment, by its definition, includes “investments through other means stipulated under laws or administrative regulations or by the State Council” without elaboration on the meaning of “other means.”

On December 26, 2019, the State Council released 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》) (the “**FIL Implementing Regulations**”), which took effect on January 1, 2020. The FIL Implementing Regulations follows the principles of promoting and protecting foreign investments. It requires that foreign enterprises and domestic enterprises be treated equally with respect to policy making and implementation. The FIL Implementing Regulations also requires that foreign enterprises change their organization forms within five years from the effective date. The FIL Implementing Regulations does not specify whether foreign investment includes contractual arrangements.

The FIL and the FIL Implementing Regulations are relatively new. The interpretation and implementation of the FIL and FIL Implementing Regulations might differ from our understanding. If any other related regulations subsequently define other means of foreign investment to include contractual arrangements, the regulations above will not only apply to our Company, but also apply to other entities which operate under contractual arrangements.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

We are a leading payment-based technology platform providing payment and business services to merchants and consumers. We started our payment services business in 2012, offering seamless, convenient and reliable payment services to micro and small merchants, connecting them with millions of consumers.

Mr. Liu is the principal founder of Shenzhen Yeahka. He has extensive experience in third-party payment and technology related industries. Prior to founding Shenzhen Yeahka, Mr. Liu served as the general manager of TenPay, a company which operates Tencent's payment infrastructure platform, since its incorporation. See "Directors and Senior Management — Directors — Executive Directors" for details of Mr. Liu's biography.

Since then, we have emerged to become a leading third-party payment service provider in China. With a focus on mobile payment services, we were granted the national payment license by the PBOC in 2014. In 2019, we have become the second largest independent non-bank QR code payment service provider in China in terms of transaction count, according to Oliver Wyman. Leveraging the customer base and data assets acquired from payment services, we have extended our product and service offerings to technology-enabled business services, which enable us to complete an end-to-end ecosystem which facilitates transactions between, and creating value for merchants and consumers.

BUSINESS MILESTONES

The following is a summary of our key business development milestones since our inception:

Year	Event
2011	<ul style="list-style-type: none">We established our principal operating entity, Shenzhen Yeahka
2012	<ul style="list-style-type: none">Tencent became one of the equity holders of Shenzhen Yeahka and we started to design and offer payment service products for micro and small merchants
2013	<ul style="list-style-type: none">We established our principal operating subsidiary, Leshua Technology, through which we commercially launched our payment services for micro and small merchants
2014	<ul style="list-style-type: none">Leshua Technology became a payment acquisition member institution of UnionPay aiming to provide customers with more convenient, safe and efficient payment servicesLeshua Technology obtained national bank card acquiring license and mobile phone payment license from the PBOC to conduct nationwide mobile phone payment and bank card payment acquiring business in the PRC
2015	<ul style="list-style-type: none">We commenced to provide payment services through our integrated payment solution platform which supports payment channels such as UnionPay, Tenpay and AlipayWe launched Smart Shopkeeper and other products and began to provide technology-enabled business services to merchants
2016	<ul style="list-style-type: none">Shenzhen Feiquan, one of our major operating subsidiaries, was established and began to provide fintech services to merchants and consumers

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Year	Event
2017	<ul style="list-style-type: none"> • We launched our aggregate payment platform, and we were among the first licensed third-party payment service providers to launch the integrated QR code payment solution in the PRC • The number of our active payment service customers reached 1.6 million
2018	<ul style="list-style-type: none"> • We were among the first service providers to have simultaneously accessed both the NetsUnion's and UnionPay's network for QR code payment • We created a trading platform capable of handling 100 million transactions each day, thereby further enhancing our aggregate payment platform and value-added services • We recorded a GPV of more than RMB700 billion and captured over 140 million consumers via our payment services
2019	<ul style="list-style-type: none"> • We further expanded our distribution channels through alliances with a number of partners and acquired TuoZhanBao Finance, to further accelerate our customer expansion and increase product and service offerings

INFORMATION ON MEMBERS OF OUR GROUP

We set forth below information on our subsidiaries that made material contribution to our results of operations during the Track Record Period.

Name of subsidiary	Date of establishment	Place of establishment	Ownership as of the date of this prospectus	Principal business activities
1. Shenzhen Yeahka	June 16, 2011	PRC	Controlled through the Contractual Arrangements	Provision of payment terminal and mobile payment services
2. Yeahka WFOE	May 17, 2012	PRC	100%	Investment holding
3. Leshua Technology	July 31, 2013	PRC	Controlled through the Contractual Arrangements	Provision of payment terminal and mobile payment services
4. Leshou Cloud	April 28, 2014	PRC	100%	Provision of SaaS services
5. Shenzhen Feiquan	February 23, 2016	PRC	100%	Provision of fintech services
6. Qianhai Saosao	September 13, 2016	PRC	100%	Provision of payment-related services

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<u>Name of subsidiary</u>	<u>Date of establishment</u>	<u>Place of establishment</u>	<u>Ownership as of the date of this prospectus</u>	<u>Principal business activities</u>
7. Shenzhen Zhizhanggui .	June 23, 2017	PRC	100%	Provision of SaaS services
8. Feiquan Factoring	October 10, 2016	PRC	100%	Provision of fintech services
9. Guangzhou Feiquan . . .	July 30, 2019	PRC	Controlled through the Contractual Arrangements	Provision of financial services

We describe below the major changes in the shareholding of our Company and our material operating subsidiaries up to the date of this prospectus:

Our Company

Our Company is the holding company of our Group. Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on September 8, 2011. At the time of incorporation, our Company had an authorized share capital of US\$50,000.00 divided into 50,000 Shares of a nominal or par value of US\$1.00 each. Immediately after incorporation, one Share of our Company was issued and allotted to an initial subscriber, who on the same day transferred the same to Creative Brocade. On the same day, our Company issued and allotted eight Shares and one Share to Creative Brocade and Smallbox, respectively. As a result of the above changes, our Company was held as to 90% by Creative Brocade (an investment holding vehicle wholly owned by Mr. Liu) and as to 10% by Smallbox (an investment holding vehicle wholly owned by Mr. Qin).

Since the incorporation of our Company, we have completed three rounds of Pre-IPO Investments. Our Company issued Series-A Preferred Shares, Series-B Preferred Shares and Series-C Preferred Shares to the relevant Pre-IPO Investors in 2012, 2015 and 2019, respectively; and the First Round Series-C Investors subscribed for the registered capital of Shenzhen Yeahka in 2017. For further details, see the paragraphs headed “Pre-IPO Investments” and “Corporate Reorganization” in this section.

Shenzhen Yeahka

Shenzhen Yeahka was established as a limited liability company in the PRC on June 16, 2011 with an initial registered capital of RMB2,000,000. The initial shareholders of Shenzhen Yeahka were Mr. Liang Songyou, Shenzhen Chuangjin and Mr. Qin, with an equity interest of 5%, 85% and 10%, respectively. On October 21, 2011, Mr. Liang Songyou and Shenzhen Chuangjin transferred all their respective equity interests in Shenzhen Yeahka to Mr. Liu at a cash consideration of RMB100 and RMB1,000, respectively, and as a result Shenzhen Yeahka was held as to 90% by Mr. Liu and as to 10% by Mr. Qin.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In 2012, Yeahka WFOE was established in the PRC and entered into the Previous Contractual Arrangements with Shenzhen Yeahka and its then registered shareholders, which was subsequently replaced by the New Contractual Arrangements in 2019, to gain management control over, and enjoy all economic benefits of, Shenzhen Yeahka and its subsidiaries through a series of contractual arrangements. As a result of such contractual arrangements, our Group regards Shenzhen Yeahka as a controlled structure entity and consolidated the financial position and results of operations of Shenzhen Yeahka in the historical financial information of our Group during the Track Record Period.

On November 9, 2012, Mr. Liu and Mr. Qin transferred 4.5% and 0.5% equity interests in Shenzhen Yeahka to Shenzhen Tencent at a cash consideration of RMB9 and RMB1, respectively, and as a result Shenzhen Yeahka was held as to 85.5% by Mr. Liu, 9.5% by Mr. Qin and 5% by Shenzhen Tencent. The parties agreed to transfer the equity interests in Shenzhen Yeahka at nominal consideration after taking into account Tencent's investment in our Company. On September 2, 2013, Mr. Liu transferred to Ms. Huang Liming (an officer of the general partners of IVP Funds) and Ms. Luo Haiying (the spouse of Mr. Liu) 8.04% and 38.73% equity interests in Shenzhen Yeahka at a cash consideration of RMB1,206,000 and RMB5,809,500, respectively, and as a result Shenzhen Yeahka was held as to 38.73% by Mr. Liu, 9.5% by Mr. Qin, 38.73% by Ms. Luo Haiying, 8.04% by Ms. Huang Liming and 5.0% by Shenzhen Tencent. The consideration for all the abovementioned transfers was determined with reference to the registered capital of Shenzhen Yeahka at the time of transfer.

As at the start of the Track Record Period, the shareholders of Shenzhen Yeahka were Mr. Liu, Mr. Qin, Shenzhen Tencent, Ms. Luo Haiying and Ms. Huang Liming, each holding an equity interest of 38.73%, 9.5%, 5.0%, 38.73% and 8.04%, respectively.

In 2017, in preparation of our capital financing in the PRC market and to align the offshore and onshore shareholding interests in our Group, a series of share transfers and subscriptions for registered capital in the nature of internal restructuring were undertaken (the "**2017 Restructuring**"), which included the following:

- Share transfers between the then existing shareholders of Shenzhen Yeahka, including Ms. Luo Haiying, Ms. Huang Liming, Mr. Liu, Mr. Qin and Penguin Financial;
- Zhongluo Investment, our employee shareholding platform in the PRC, subscribed for additional registered capital in Shenzhen Yeahka; and
- Certain Series-A Investors and Series-B Investors subscribed for additional registered capital in Shenzhen Yeahka through their designated entities in the PRC, including Lerun Equity and Jiaxing Yueming.

In connection with the 2017 Restructuring: (i) no consideration was received by Shenzhen Yeahka for the subscriptions of additional registered capital, (ii) no new investors were introduced to make investment in Shenzhen Yeahka and (iii) none of the then existing investors have realized their investments from Shenzhen Yeahka. Our PRC Legal Advisors have confirmed that the above share transfers and subscriptions for registered capital were in compliance with PRC laws and regulations and no disputes have arisen in relation to the share transfers and subscriptions for registered capital undertaken in the 2017 Restructuring. On the basis of the foregoing and given Shenzhen Yeahka continued to be regarded as a controlled structure entity in our financial statements, we do not consider the 2017 Restructuring in Shenzhen Yeahka as having any material impact to our corporate structure or results of operations.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

At the same time, we also completed the first round of the Series-C Investment under which certain investors invested in Shenzhen Yeahka by acquiring from Mr. Liu or subscribing for the equity interests in Shenzhen Yeahka. See “— Pre-IPO Investments — Series-C Investment”. As a result of the 2017 Restructuring and upon completion of the first round of the Series-C Investment and immediately before our Reorganization, Shenzhen Yeahka’s shareholding structure was as follows:

Name of shareholder	Percentage of equity interest held
Mr. Liu	65.2985%
Mr. Qin	5.2924%
Shenzhen Tencent	3.8314%
Penguin Financial	0.3078%
CITIC Investment	1.8987%
Zhongluo Investment	0.7740%
Lerun Equity	6.6012%
Jiaxing Yueming	13.1478%
Zhuhai Jinhuan	0.9494%
Shenzhen Liantai	1.2658%
Zhongshan Chuangtai	0.6329%
Total	100%

In 2019, we conducted the Reorganization aiming to replace Shenzhen Yeahka with the Company as our major capital raising platform in the future. As of the Latest Practicable Date, Shenzhen Yeahka was controlled by Yeahka WFOE through the Contractual Arrangements. See “— Information on Members of Our Group — Our Company — Yeahka WFOE” and “Contractual Arrangements”.

Yeahka WFOE

Yeahka WFOE was established in the PRC on May 17, 2012 as a wholly foreign-owned enterprise by Yeahka HK with a registered capital of USD3,200,000 and was wholly-owned by Yeahka HK. As of the Latest Practicable Date, Yeahka WFOE was wholly owned by Yeahka HK.

Leshua Technology

Leshua Technology was established in the PRC on July 31, 2013 as a limited liability company with a registered capital of RMB1,000,000, which was wholly owned by Shenzhen Yeahka. As of the Latest Practicable Date, Leshua Technology remained wholly owned by Shenzhen Yeahka. Leshua Technology currently holds the VATS License and the national payment license granted by the PBOC that we need for carrying out our payment service business in the PRC.

Leshou Cloud

Leshou Cloud was established in the PRC on April 28, 2014 as a limited liability company with a registered capital of RMB3,000,000.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In order to further expand our business and extend our service offerings to SaaS services, Shenzhen Yeahka acquired Leshou Cloud. On August 24, 2016, Mr. Zheng Yi, Mr. Liu Jun, Mr. Liao Yuguo and Mr. Zhu Jun transferred all their respective equity interests in Leshou Cloud to Shenzhen Yeahka for a cash consideration of RMB2,970,000, RMB1,080,000, RMB810,000 and RMB540,000, respectively, and as a result Leshou Cloud was wholly-owned by Shenzhen Yeahka. The consideration for the acquisition was determined after arm's length negotiations and has been fully settled on December 30, 2016.

Later in December 2017, as we were considering potential onshore restructuring for the purpose of capital financing and uncertain whether to include Leshou Cloud as a group company of Shenzhen Yeahka, we adopted a nominee arrangement for the holding of Leshou Cloud. On December 20, 2017, Shenzhen Yeahka transferred all the equity interests in Leshou Cloud to two individual nominee shareholders.

Our PRC Legal Advisors have confirmed that such nominee shareholding arrangement was valid under, and in compliance with, PRC laws and regulations.

On May 31, 2019, in order to optimize our corporate structure for the purpose of the Listing, the then registered shareholders of Leshou Cloud transferred all of their equity interests in Leshou Cloud to Yeahka WFOE, such that the nominee shareholding arrangement was terminated.

Shenzhen Feiquan

Shenzhen Feiquan was established in the PRC on February 23, 2016 as a limited liability company with a registered capital of RMB10,000,000, which was wholly-owned by Shenzhen Chuangjin as a nominee shareholder of Shenzhen Yeahka. By the time when Shenzhen Feiquan was established, we decided not to directly hold Shenzhen Feiquan as our corporate strategy was to delineate different business segments under separate corporate structure within our Group. In order to expedite the establishment process, we adopted the nominee shareholding arrangement.

Our PRC Legal Advisors have confirmed that such nominee shareholding arrangement was valid under, and in compliance with, PRC laws and regulations.

On June 13, 2019, in order to optimize our corporate structure for the purpose of the Listing, Shenzhen Chuangjin transferred the entire equity interests in Shenzhen Feiquan to Shenzhen Yeahka such that the nominee shareholding arrangement was terminated.

As part of our Reorganization, the entire equity interest in Shenzhen Feiquan was transferred from Shenzhen Yeahka to Yeahka WFOE. See "— Corporate Reorganization — Step 5: Transfer of equity interests in relation to Qianhai Saosao and Shenzhen Feiquan" below for details.

Qianhai Saosao

Qianhai Saosao was established in the PRC on September 13, 2016 as a limited liability company with a registered capital of RMB50,000,000 and was wholly-owned by Leshou Cloud. On December 29, 2017, Shenzhen Yeahka acquired the entire equity interests in Qianhai Saosao from Leshou Cloud at the time when we adopted the nominee shareholding arrangement in respect of Leshou Cloud.

As part of our Reorganization, the entire equity interest in Qianhai Saosao was transferred from Shenzhen Yeahka to Yeahka WFOE. See "— Corporate Reorganization — Step 5: Transfer of equity interests in relation to Qianhai Saosao and Shenzhen Feiquan" below for details.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Feiquan Factoring

Feiquan Factoring was established in the PRC on October 10, 2016 as a limited liability company with a registered capital of RMB30,000,000, which was wholly-owned by Shenzhen Feiquan. As of the Latest Practicable Date, Feiquan Factoring remained to be wholly-owned by Shenzhen Feiquan.

Shenzhen Zhizhanggui

Shenzhen Zhizhanggui was established in the PRC on June 23, 2017 as a limited liability company with a registered capital of RMB10,000,000, which was wholly-owned by Leshou Cloud. As of the Latest Practicable Date, Shenzhen Zhizhanggui remained to be wholly owned by Leshou Cloud.

Guangzhou Feiquan

Guangzhou Feiquan was established in the PRC on July 30, 2019 as a limited liability company with a registered capital of RMB200 million and was wholly owned by Shenzhen Yeahka. As of the Latest Practicable Date, Guangzhou Feiquan remained to be wholly owned by Shenzhen Yeahka.

Other investments

As of December 31, 2019, we held investments in six companies in the PRC and Hong Kong that are principally engaged in mobile payment as well as software design and technology development. We believe these companies have technologies or businesses that are complementary to ours. The total carrying amount of our investments accounted for using the equity method amounted to RMB31.1 million as of December 31, 2019. See note 14 to the Accountant's Report set out in Appendix I to this prospectus for further details.

Major Acquisitions and Disposals

We did not conduct any major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date. We do not consider the acquisitions of Leshou Cloud and TuoZhanbao Finance as having any material impact on our results of operations.

PRE-IPO INVESTMENTS

Our Group has received three rounds of the Pre-IPO Investments since the commencement of business.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Capitalization

The following table sets out our shareholding structure as of the date of this prospectus and immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised:

Shareholders ⁽¹⁾	Ordinary Shares with a par value of US\$0.0001 each	Series-A Preferred Shares	Series-B Preferred Shares	Series-C Preferred Shares	Shares immediately following the Share Subdivision	Ownership percentage as of the date of this prospectus ⁽²⁾	Ownership percentage upon completion of the Global Offering
Creative Brocade							
International	41,427,691	–	–	–	165,710,764	52.43%	39.95%
IVP Fund II A, L.P.	–	4,021,321	–	–	16,085,284	5.09%	3.88%
IVP Fund II B, L.P.	–	2,117,687	–	–	8,470,748	2.68%	2.04%
Recruit Holdings	–	–	2,358,435	1,578,664	15,748,396	4.98%	3.80%
Basic Sage	3,871,964	–	–	–	15,487,856	4.90%	3.73%
Greycroft Growth, L.P.	934,366	–	2,439,761	165,836	14,159,852	4.48%	3.41%
THL U	–	3,108,550	–	–	12,434,200	3.93%	3.00%
Smallbox	1,905,852	–	–	–	7,623,408	2.41%	1.84%
e.ventures Growth, L.P.	420,464	–	1,097,892	74,637	6,371,972	2.02%	1.54%
Adams Street 2011							
Direct Fund LP	–	–	304,900	15,544	1,281,776	0.41%	0.31%
Adams Street 2012							
Direct Fund LP	–	–	313,899	16,003	1,319,608	0.42%	0.32%
Adams Street 2013							
Direct Fund LP	–	–	237,448	12,105	998,212	0.32%	0.24%
Adams Street 2014							
Direct Fund LP	–	–	322,970	16,466	1,357,744	0.43%	0.33%
LT SPV	–	–	–	951,237	3,804,948	1.20%	0.92%
Industry Ventures	–	–	589,609	–	2,358,436	0.75%	0.57%
Baopu	–	–	–	566,242	2,264,968	0.72%	0.55%
IVP Annex I LLC	–	375,739	–	75,148	1,803,548	0.57%	0.43%
TheOne	–	–	–	86,000	344,000	0.11%	0.08%
RSU Nominee 1	3,375,242	–	–	–	13,500,968	4.27%	3.25%
RSU Nominee 2	6,237,996	–	–	–	24,951,984	7.89%	6.02%
Public Shareholders	–	–	–	–	–	–	23.80%
Total	58,173,575	9,623,297	7,664,914	3,557,882	316,078,672	100%	100%

Notes:

- (1) See “— Corporate Structure” below for more information of these Shareholders.
- (2) Based on the assumption that each Preferred Share will be converted into one ordinary Share upon the Global Offering becoming unconditional.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The Pre-IPO Investors subscribed for Shares or acquired equity interests in our Company or Shenzhen Yeahka at the cost summarized below.

Investors	Total consideration paid (USD/RMB)	Total consideration paid in HK\$	Number of Shares held after the Share Subdivision	Cost per share (HK\$) ⁽¹⁾	Discount to the Offer Price ⁽²⁾	Valuation of our Group (HK\$'million)
Series-A Investors						
IVP Funds	USD6,514,747	50,493,849.57	24,556,032	2.06	85.93%	–
THL U	USD3,108,550	24,093,438.49	12,434,200	1.94	86.75%	–
Series-A Investment . . .	–	–	–	–	–	444-578
Series-B Investors						
<i>Acquisition of Shares in our Company</i>						
Greycroft Growth, L.P. . . .	USD3,448,274.03	26,726,537.52	3,737,464	7.15	51.16%	–
e.ventures Growth, L.P. . .	USD1,551,722.39	12,026,934.73	1,681,856	7.15	51.16%	–
<i>Subscription of Shares in our Company</i>						
Greycroft Growth, L.P. . . .	USD10,344,826.38	80,179,645.82	9,759,044	8.22	43.85%	–
e.ventures Growth, L.P. . .	USD4,655,171.87	36,080,840.61	4,391,568	8.22	43.85%	–
Recruit Holdings	USD10,000,000.24	77,507,001.86	9,433,740	8.22	43.85%	–
Adams Street Funds	USD4,999,998.01	38,753,484.58	4,716,868	8.22	43.85%	–
Industry Ventures	USD2,500,001.12	19,376,758.68	2,358,436	8.22	43.85%	–
Series-B Investment . . .	–	–	–	–	–	1,857-2,133
Series-C Investors						
<i>Acquisition of Shares in our Company</i>						
IVP Annex I LLC	USD2,545,113.00	19,726,407.33	1,502,956	13.13	10.31%	–
<i>Subscription of Shares in our Company</i>						
LT SPV	RMB40,000,000.00 and USD95.1237	43,716,584.27	3,804,948	11.49	21.52%	–
IVP Annex I LLC	RMB3,500,000.00	3,825,136.61	300,592	12.73	13.05%	–
Greycroft Growth, L.P. . . .	RMB7,723,800.00	8,441,311.48	663,344	12.73	13.05%	–
e.ventures Growth, L.P. . .	USD505,562.91	3,918,466.45	298,548	13.13	10.31%	–
Recruit Holdings	RMB66,384,000.00 ⁽³⁾	72,550,819.67	6,314,656	11.49	21.52%	–
Adams Street Funds	USD407,219.42	3,156,235.56	240,472	13.13	10.31%	–
Baopu	N/A	30,000,000.00	2,264,968	13.25	9.49%	–
TheOne	N/A	4,116,967.99	344,000	11.97	18.24%	–
Series-C Investment . . .	–	–	–	–	–	3,190-3,677

Notes:

- (1) As adjusted to reflect subsequent capital reorganizations, as applicable.
- (2) Assuming the Global Offering will be conducted at the midpoint of the Offer Price range.
- (3) In the form of waiving part of a loan equivalent to approximately RMB66,384,000.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Series-A Investment

Pursuant to (i) the Series-A Preferred Share subscription agreement dated December 31, 2011 by and among our Company, Yeahka HK, Shenzhen Yeahka, Creative Brocade, Smallbox, our Founders and IVP Funds, and (ii) the Series-A Preferred Share subscription agreement dated July 5, 2012 by and among our Company, Yeahka HK, Shenzhen Yeahka, Yeahka WFOE, Creative Brocade, Smallbox, our Founders and THL U, each of the Series-A Investors subscribed for the Series-A Preferred Shares of par value US\$0.0001 per share in the capital of our Company.

Principal terms of the Series-A Investment are set out below:

Name of Series-A Investors	THL U IVP Funds
Shares in our Company being subscribed for	THL U subscribed for an aggregate of 3,108,550 Series-A Preferred Shares (1,554,275 Series-A Preferred Shares on each of July 6, 2012 and November 15, 2012) IVP Fund II A, L.P. subscribed for an aggregate of 3,787,128 Series-A Preferred Shares (2,794,902 Series-A Preferred Shares on February 10, 2012 and 992,226 Series-A Preferred Shares on June 17, 2014) IVP Fund II B, L.P. subscribed for an aggregate of 2,727,619 Series-A Preferred Shares (2,205,098 Series-A Preferred Shares on February 10, 2012 and 522,521 Series-A Preferred Shares on June 17, 2014)
Total consideration paid	As to THL U (i) US\$1,570,590 (by installments of US\$16,315 and US\$1,554,275) paid in cash; (ii) provision of certain resource support (including access to its client base and promotion channels) by THL U and/or its affiliates amounting to US\$1,537,960. As to IVP Funds: US\$6,514,747 (by installments of US\$2,794,902, US\$992,226, US\$2,205,098 and US\$522,521) paid in cash.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Basis of determination of consideration	The consideration was determined based on arm's length negotiations between each of the Series-A Investors and our Company after taking into consideration the timing of the investments and the operating results and prospects of our business and operating entities.
Completion of the subscription and payment date of the consideration	November 27, 2012
Use of proceeds	The proceeds have been fully utilized for contribution into our Group as investment capital to be used for business expansion, capital expenditures and general working capital requirements.
Strategic benefits	Our Directors are of the view that our Company would benefit from the additional capital provided by the Series-A Investors' investments in our Company and their investments serve as an endorsement of our Company's strength and prospects.

Series-B Investment

Pursuant to (i) the Series-B Preferred Share subscription agreement dated March 9, 2015 entered into between, among others, our Company, Yeahka HK, Shenzhen Yeahka, Leshua Technology, Yeahka WFOE, Creative Brocade, Smallbox, our Founders and the Series-B Investors, and (ii) the share purchase agreement dated March 9, 2015 entered into between Smallbox, Greycroft Growth, L.P., e.ventures Growth, L.P. and our Company, the Series-B Investors subscribed for or acquired Series-B Preferred Shares or ordinary Shares of par value US\$0.0001 per share in the capital of our Company.

Principal terms of the Series-B Investment are set out below:

Name of Series-B Investors	Greycroft Growth, L.P.
	e.ventures Growth, L.P.
	Recruit Holdings
	Adams Street Funds
	Industry Ventures

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

**Equity interest in our
Company being
acquired or subscribed
for**

For acquisition of Shares in our Company

Greycroft Growth, L.P. acquired 934,366 ordinary Shares in our Company from Smallbox.

e.ventures Growth, L.P. acquired 420,464 ordinary Shares in our Company from Smallbox.

For subscription of Shares in our Company

Greycroft Growth, L.P. subscribed for 2,439,761 Series-B Preferred Shares in our Company.

e.ventures Growth, L.P. subscribed for 1,097,892 Series-B Preferred Shares in our Company.

Recruit Holdings subscribed for 2,358,435 Series-B Preferred Shares in our Company.

Adams Street 2011 Direct Fund LP subscribed for 304,900 Series-B Preferred Shares in our Company.

Adams Street 2012 Direct Fund LP subscribed for 313,899 Series-B Preferred Shares in our Company.

Adams Street 2013 Direct Fund LP subscribed for 237,448 Series-B Preferred Shares in our Company.

Adams Street 2014 Direct Fund LP subscribed for 322,970 Series-B Preferred Shares in our Company.

Industry Ventures subscribed for 589,609 Series-B Preferred Shares in our Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Total consideration paid	<p>As to Greycroft Growth, L.P.: US\$10,344,826.38 paid in cash for the share subscription and US\$3,448,274.03 paid in cash to Smallbox.</p> <p>As to e.ventures Growth, L.P.: US\$4,655,171.87 paid in cash for the share subscription and US\$1,551,722.39 paid in cash to Smallbox.</p> <p>As to Recruit Holdings: US\$10,000,000.24 paid in cash.</p> <p>As to Adams Street 2011 Direct Fund LP: US\$1,292,806.49 paid in cash.</p> <p>As to Adams Street 2012 Direct Fund LP: US\$1,330,963.15 paid in cash.</p> <p>As to Adams Street 2013 Direct Fund LP: US\$1,006,803.27 paid in cash.</p> <p>As to Adams Street 2014 Direct Fund LP: US\$1,369,425.10 paid in cash.</p> <p>As to Industry Ventures: US\$2,500,001.12 paid in cash.</p>
Basis of determination of consideration	<p>The consideration was determined based on arm's length negotiations between each of the Series-B Investors and our Company after taking into consideration the timing of the investments and the operating results and prospects of our business and operating entities.</p>
Completion of the acquisition or subscription and payment date of the consideration	<p>March 10, 2015</p>
Use of proceeds	<p>The proceeds have been fully utilized for contribution into our Group as investment capital to be used for business expansion, capital expenditures and general working capital requirements.</p>
Strategic benefits	<p>Our Directors are of the view that our Company would benefit from the additional capital provided by the Series-B Investors' investments in our Company and their investments serve as an endorsement of our Company's strength and prospects. In addition, Series-B Investors are professional investors which can provide us with professional advice on our Group's development.</p>

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Series-C Investment

First Round Series-C Investment

Pursuant to (i) the equity interest transfer agreement dated May 3, 2017 entered into between Mr. Liu and CITIC Investment; (ii) the increase of share capital agreement dated October 20, 2017 by and among Jiaying Yueming, Shenzhen Yeahka, our Founders and Zhongluo Investment; (iii) the increase of share capital agreement dated October 20, 2017 by and among Shenzhen Liantai, Shenzhen Yeahka, our Founders and Zhongluo Investment; (iv) the increase of share capital agreement dated October 20, 2017 by and among Zhongshan Chuangtai, Shenzhen Yeahka, our Founders and Zhongluo Investment; and (v) the increase of share capital agreement dated October 20, 2017 by and among Zhuhai Jinhuan, Shenzhen Yeahka, our Founders and Zhongluo Investment, each of the First Round Series-C Investors subscribed for or acquired an equity interest in Shenzhen Yeahka.

Principal terms of the first round of the Series-C Investment are set out below:

Name of First Round Series-C Investors	CITIC Investment
	Jiaying Yueming
	Shenzhen Liantai
	Zhongshan Chuangtai
	Zhuhai Jinhuan
Equity interest in Shenzhen Yeahka being acquired or subscribed for	<i>For acquisition of equity interest in Shenzhen Yeahka from Mr. Liu</i>
	1.8987% by CITIC Investment from Mr. Liu ⁽¹⁾
	<i>For subscription of registered capital of Shenzhen Yeahka</i>
	2.2215% by Jiaying Yueming ⁽¹⁾
	0.9494% by Zhuhai Jinhuan ⁽¹⁾
	1.2658% by Shenzhen Liantai ⁽¹⁾
	0.6329% by Zhongshan Chuangtai ⁽¹⁾

Note:

- (1) The percentage is calculated based on the registered capital acquired or subscribed for by the relevant shareholder divided by the total registered capital of Shenzhen Yeahka upon completion of the 2017 Restructuring and the first round of the Series-C Investment.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Total consideration paid	<p>As to CITIC Investment: RMB40,000,000 paid to Mr. Liu in cash.</p> <p>As to Jiaxing Yueming: RMB70,000,000 paid in cash.</p> <p>As to Zhuhai Jinhuan: RMB30,000,000 paid in cash.</p> <p>As to Shenzhen Liantai: RMB40,000,000 paid in cash.</p> <p>As to Zhongshan Chuangtai: RMB19,000,000 paid in cash.</p>
Basis of determination of consideration	<p>The consideration was determined based on arm's length negotiations between each of the First Round Series-C Investors and our Company after taking into consideration the timing of the investments and the operating results and prospects of our business and operating entities.</p>
Completion of the acquisition or subscription and payment date of the consideration	<p>December 29, 2017</p>
Use of proceeds	<p>The proceeds have been fully utilized for (i) contribution into the registered capital of Shenzhen Yeahka and (ii) contribution into Shenzhen Yeahka as investment capital to be used for business expansion, capital expenditures and general working capital requirements.</p>
Strategic benefits	<p>Our Directors are of the view that our Company would benefit from the additional capital provided by the First Round Series-C Investors' investments in our Company and their investments serve as an endorsement of our Company's strength and prospects. In addition, the First Round Series-C Investors are professional investors which can provide us with professional advice on our Group's development.</p>

Second Round Series-C Investment

In 2019, as part of our Reorganization, certain registered shareholders (including the First Round Series-C Investors) ceased to hold equity interests in Shenzhen Yeahka by way of capital reduction. Among the First Round Series-C Investors: (i) CITIC Investment, Zhongshan Chuangtai and Zhuhai Jinhuan decided to realize their respective investments in our Company; (ii) Jiaxing Yueming and Shenzhen Liantai separately subscribed for Series-C Preferred Shares in our Company through JX SPV and LT SPV, their offshore affiliated entities; and (iii) JX SPV further transferred all of its Series-C Preferred Shares to certain Second Round Series-C Investors. See "— Corporate Reorganization — Step 1: Capital reduction and capital increase in Shenzhen Yeahka" and "— Corporate Reorganization — Step 2: Restoration of the shareholding structure of our Company" below for details.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In addition, certain Series-A Investors, Series-B Investors and certain new investors have subscribed for or acquired Series-C Preferred Shares in our Company. Pursuant to: (i) the Series-C Preferred Share subscription agreement dated June 28, 2019 entered into between, among others, our Company, Shenzhen Yeahka, Creative Brocade, Smallbox, our Founders and certain Second Round Series-C Investors; (ii) a share transfer agreement dated June 29, 2019 entered into between JX SPV and Recruit Holdings; and (iii) an instrument of transfer dated June 29, 2019 between JX SPV and TheOne, each of the Second Round Series-C Investors acquired or subscribed for the Series-C Preferred Shares of par value US\$0.0001 per share in the capital of our Company.

Principal terms of the second round Series-C Investment are set out below:

Name of Second Round Series-C Investors	IVP Annex I LLC Baopu Greycroft Growth, L.P. e.ventures Growth, L.P. Adams Street Funds Recruit Holdings TheOne
Shares in our Company being acquired or subscribed for	<i>For acquisition of Shares in our Company</i> Recruit Holdings acquired 1,578,664 Series-C Preferred Shares in our Company from JX SPV. TheOne acquired 86,000 Series-C Preferred Shares in our Company from JX SPV. <i>For subscription of Shares in our Company</i> IVP Annex I LLC subscribed for 75,148 Series-C Preferred Shares in our Company. Baopu subscribed for 566,242 Series-C Preferred Shares in our Company. Greycroft Growth, L.P. subscribed for 165,836 Series-C Preferred Shares in our Company. e.ventures Growth, L.P. subscribed for 74,637 Series-C Preferred Shares in our Company. Adams Street 2011 Direct Fund LP subscribed for 15,544 Series-C Preferred Shares in our Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Adams Street 2012 Direct Fund LP subscribed for 16,003 Series-C Preferred Shares in our Company.

Adams Street 2013 Direct Fund LP subscribed for 12,105 Series-C Preferred Shares in our Company.

Adams Street 2014 Direct Fund LP subscribed for 16,466 Series-C Preferred Shares in our Company.

Total consideration paid

As to Greycroft Growth, L.P.: US dollar equivalent of RMB7,723,800.⁽¹⁾

As to e.ventures Growth, L.P.: US\$505,562.91 paid in cash.

As to IVP Annex I LLC: US dollar equivalent of RMB3,500,000.⁽¹⁾

As to Baopu: US dollar equivalent of HK\$30,000,000.⁽²⁾

As to Adams Street 2011 Direct Fund LP: US\$105,289.91 paid in cash.

As to Adams Street 2012 Direct Fund LP: US\$108,399.02 paid in cash.

As to Adams Street 2013 Direct Fund LP: US\$81,995.26 paid in cash.

As to Adams Street 2014 Direct Fund LP: US\$111,535.23 paid in cash.

As to Recruit Holdings: In consideration for the transfer of 1,578,664 Series-C Preferred Shares in our Company from JX SPV to Recruit Holdings, Recruit Holdings agreed to waive part of a loan in the sum equivalent to approximately RMB66,384,000 owed by JX SPV to it.

As to TheOne: HK\$4,116,967.99 paid in cash to JX SPV.

Notes:

(1) The consideration was calculated based on the intermediate exchange rate of USD against RMB published by the PBOC on July 22, 2019, which is 1:6.8759.

(2) The consideration was calculated based on the intermediate exchange rate of RMB against the Hong Kong dollar published by the PBOC on May 24, 2019, which is 0.87909:1.

Basis of determination of consideration

The consideration was determined based on arm's length negotiations between each of the Second Round Series-C Investors and our Company after taking into consideration the timing of the investments and the operating results and prospects of our business and operating entities.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Completion of the acquisition or subscription and payment date of the consideration July 25, 2019

Use of proceeds The proceeds have been fully utilized for contribution into Shenzhen Yeahka as investment capital to be used for business expansion, capital expenditures and general working capital requirements.

Strategic benefits Our Directors are of the view that the second round of the Series-C Investment is necessary for the purpose of implementing the Reorganization, thus beneficial to our Company.

Special rights of the Pre-IPO Investors

Pursuant to the Pre-IPO Shareholders' Agreement, some of the Pre-IPO Investors were granted certain special rights in relation to our Company, including, among others, customary rights of first refusal, co-sale rights, pre-emptive rights and information and inspection rights. Such special rights will be terminated upon completion of the Global Offering in accordance with the terms of the Pre-IPO Shareholders' Agreement.

Each Preferred Share will be automatically converted into one ordinary share of US\$0.000025 par value upon the Global Offering becoming unconditional.

Information about the Pre-IPO Investors

Saved as disclosed herein, other than their respective investments in our Group, each of the Pre-IPO Investors and their respective general partners and limited partners or substantial shareholder as publicly disclosed by the relevant investor (as the case may be) is an independent third party.

Save as disclosed herein, each of the Pre-IPO Investors does not have any past or present relationship with any other Pre-IPO Investors and each of the Pre-IPO Investors does not have any past or present relationships with our Group, Controlling Shareholders, Directors, senior management or any of their respective associates.

Certain Pre-IPO Investors are investment funds or pooled investment vehicles (each, a "**Fund Investor**"). Because of the nature of investment funds and the increasing number of fund of funds in the market, the affiliated funds of certain Fund Investors including Adams Street Funds, e.ventures Growth, L.P. and Industry Ventures, may be passive investors in the funds of the other Fund Investors. Recruit Holdings invested in a fund operated by Infinity Ventures Partners as a passive investor.

Series-A Investors

THL U is a company incorporated under the laws of BVI and a subsidiary of Tencent. Tencent makes investments which are complementary to its core businesses or are beneficial in building an ecosystem for the Internet industry. The primary objectives of Tencent's investments are to strengthen its leading position in core businesses and complement its "Connection" strategy in

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

various industries, including social and digital content, O2O, smart retail, FinTech and cloud. As of June 30, 2019, the investment portfolio of Tencent amounted to approximately RMB417 billion. Mr. Liu, the principal founder of Shenzhen Yeahka, served as the general manager of TenPay, a company which operates Tencent's payment infrastructure platform. See "Directors and Senior Management — Directors — Executive Directors."

IVP Funds consists of IVP Fund II A, L.P. and IVP Fund II B, L.P. Each of IVP Fund II A, L.P. and IVP Fund II B, L.P. is an exempted limited partnership established in the Cayman Islands whose general partners are IVP Fund II A (GP), Ltd and IVP Fund II B (GP), Ltd, respectively. IVP Funds are investment funds with an investment portfolio of US\$165 million which focuses on venture capital investments in technology companies with a primary focus on in China and Japan. IVP Funds is under the management of IVP Advisory Co., Ltd., the primary corporation under the brand of Infinity Ventures Partners which manages several funds including IVP Funds. IVP Funds was introduced to Mr. Liu, through the chief executive officer of one of the investment portfolio companies under IVP Funds. As of the Latest Practicable Date, (i) Mr. Akio Tanaka, a past director of our Company (resigned on August 13, 2019) and Yeahka WFOE (resigned on August 5, 2019), was the sole shareholder of Growth Tree Ltd, which in turn held 63.25% in each of IVP Fund II A (GP), Ltd. and IVP Fund II B (GP), Ltd., the respective general partners of IVP Fund II A L.P. and IVP Fund II B L.P.; (ii) Mr. Hirofumi Ono, our non-executive Director, Ms. Yumi Ono, the spouse of Mr. Hirofumi Ono, held 90% and 10% interest in eGuy & Goodman LLP, respectively, which in turn held 36.75% in each of IVP Fund II A (GP), Ltd. and IVP Fund II B (GP), Ltd., the respective general partners of IVP Fund II A L.P. and IVP Fund II B L.P.. Accordingly, IVP Funds, IVP Fund II A (GP), Ltd., IVP Fund II B (GP), Ltd., Growth Tree Ltd and eGuy & Goodman LLP are connected persons of our Company.

Series-B Investors

Greycroft Growth, L.P. is a limited partnership established in the State of Delaware of the United States and controlled by Greycroft Growth, LLC, its general partner. Greycroft Growth, L.P. focuses on venture capital investment in growth stage technology companies and has approximately US\$200 million in assets. Greycroft Growth, L.P. learned about our Group through the ordinary course of its investment management and made its first investment in our Company in December 2014. Directors of Greycroft Growth, LLC include Ms. Dana Settle, Mr. Ian Sigalow, Mr. John Elton and Mr. Mark Terbeek, all being investment professionals.

e.ventures Growth, L.P. is a limited partnership established in Delaware of the United States and is controlled by e.ventures Growth GP, LLC, a limited liability company incorporated in the State of Delaware of the United States, as the general partner. Mr. Mathias Nicolaus Schilling ("**Mr. Schilling**"), our non-executive Director, together with Mr. Thomas Gieselmann ("**Mr. Gieselmann**"), are the managers of e.ventures Growth GP, LLC who retain the sole right to manage, control and conduct the affairs of e.ventures Growth GP, LLC. For Mr. Schilling's biography, see "Directors and Senior Management — Directors — Non-executive Directors." Mr. Gieselmann has extensive experience in venture capital and is specialized in technology driven startups at the cross-section of consumer Internet and its underlying software. Mr. Gieselmann currently serves on the board of multiple technology companies and he has founded a media company in his early career. e.ventures is a global capital venture firm focusing on Internet and software start-up companies. e.ventures U.S. affiliates manage over US\$908 million. e.ventures Growth, L.P. (our Pre-IPO Investor) became acquainted with our Group in 2014 through Mr. Tanaka Akio, a past director of our Company, Yeahka HK and Yeahka WFOE. As of the Latest Practicable Date, Mr. Schilling, our non-executive Director, held 47.5% of the total issued share capital in e.ventures Growth GP, LLC, the general partner of e.ventures

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Growth, L.P. which held approximately 2.02% of the total issued share capital in our Company. Accordingly, e.ventures Growth, L.P. and e.ventures Growth GP. LLC are connected persons of our Company.

Recruit Holdings is a company established in Japan which offers a wide range of services in a variety of areas including human resources, education, housing and real estate, bridal, travel, automobiles, dining and beauty and whose shares are listed on The Tokyo Stock Exchange with stock code 6098. Recruit Holdings became acquainted with Mr. Liu in May 2014 through a business summit held by Infinity Venture Partners at which Recruit Holdings was invited to present its checkout app solutions and was introduced to Mr. Liu as its potential business partner for exploring business opportunities in China. Subsequently, in July 2014, Recruit Holdings met Mr. Liu in Shenzhen. In March 2015, in recognition of our Group's strong growth potential and to strengthen the business relationship with our Group, Recruit Holdings invested in our Group. The investment priorities of Recruit Holdings include (i) technology-enabled human resources services, and (ii) SaaS related services, especially in Japan and China. In the past five years, the accumulated investment scale of Recruit Holdings and its affiliates has reached approximately JPY370 billion.

Adams Street Funds consists of Adams Street 2011 Direct Fund LP, Adams Street 2012 Direct Fund LP, Adams Street 2013 Direct Fund LP and Adams Street 2014 Direct Fund LP, each of which is a limited partnership established in the State of Delaware, USA. The respective general partners of Adams Street 2011 Direct Fund LP, Adams Street 2012 Direct Fund LP, Adams Street 2013 Direct Fund LP and Adams Street 2014 Direct Fund LP are ASP 2011 Direct Management LP, ASP 2012 Direct Management LP, ASP 2013 Direct Management LP and ASP 2014 Direct Management LP, whose respective general partners are ASP 2011 Direct Management LLC, ASP 2012 Direct Management LLC, ASP 2013 Direct Management LLC and ASP 2014 Direct Management LLC. Adams Street Partners, LLC, a global private markets investment firm, is the managing member of the general partner of the general partner of each Adams Street Fund. Adams Street Partners, LLC, a registered investment advisor with the United States Securities and Exchange and Commission, has ultimate investment and management control over Adams Street Funds. Adams Street Funds primarily made late-stage venture capital and growth equity investments in companies in the technology and life sciences sectors. The aggregate size of fund of the Adams Street Funds amounted to more than US\$327 million. Mr. Robin Murray, a partner at Adams Street Partners, LLC, learned about our Group through his personal acquaintance with Mr. Mathias Nicolaus Schilling, our non-executive Director, in January 2015. They have known each other for more than 15 years as they are both experienced venture capitalists who have been engaging in the venture capital sector for many years.

Industry Ventures is a limited partnership established in the State of Delaware of the United States and controlled by IVPH III GP, L.L.C. as the general partner which is also established in Delaware of the United States. Industry Ventures mainly focuses on making investments in start-up technology companies. Industry Ventures and its affiliates manage over US\$3.4 billion in assets. Industry Ventures became acquainted with our Group through the ordinary course of its investment management in 2015. IVPH III GP, LLC retains management authority over the business and affairs, including investment decisions, of Industry Ventures. Being the sole managing member, Mr. Johan D. Swildens ("**Mr. Swildens**") exclusively manages, controls and operates IVPH III GP, LLC. Mr. Swildens is the chief executive officer and founder of Industry Ventures. Mr. Swildens is an experienced venture capitalist who is a early pioneer of the modern secondary market for venture capital. Earlier in his career, Mr. Swildens helped start a number of technology companies.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

First Round Series-C Investors

CITIC Investment is a wholly-owned subsidiary of CITIC Securities Company Limited, a company whose shares are listed on the Main Board of the Stock Exchange with stock code 6030 and on the Shanghai Stock Exchange with stock code 600030. CITIC Investment conducts investment with a focus on industries such as TMT, consumption upgrading, advanced manufacturing, healthcare, financial, environmental protection and logistics as well as integrated finance, with investment projects relating to a wide range of domestic and international businesses.

Jiaying Yueming is a limited partnership established in the PRC, which is managed by Little Bird Yi Wu Capital Management (Beijing) Co., Ltd. (小鳥藝武資本管理(北京)有限公司) as the general partner and mainly focuses on private equity and venture capital investments in China.

Shenzhen Liantai is a limited partnership established in the PRC, which is managed by Shenzhen Liantai Huijia Capital Management Co., Ltd. (深圳市聯泰匯佳資本管理有限公司) as the general partner and mainly focuses on private equity and venture capital investments in China. LT SPV is a limited liability company incorporated in the Cayman Islands principally engaged in investing in companies in the telecommunication, media and technology (TMT) industry. The size of capital managed by LT SPV amounts to HK\$200 million. As of the Latest Practicable Date, LT SPV has not invested in other companies other than our Group. As of the Latest Practicable Date, LT SPV was owned as to 82.3% by Ms. Cai Shaohong ("**Ms. Cai**") and 17.7% by Mr. Qiu Hongbin ("**Mr. Qiu**") respectively. Both Ms. Cai and Mr. Qiu are independent third parties. Ms. Cai is an experienced private investor with over 20 years of experience in securities and private equity investment. Ms. Cai has invested in various funds in the fields of TMT, consumption and mergers and acquisitions. Ms. Cai's investment was funded by accumulated savings from her employment and the financial support of her family members. Mr. Qiu is a private investor with over 25 years of experience in the futures and funds industry. Mr. Qiu is currently serving as a director in Tangyin International (Hongkong) Futures Co., Ltd (香港唐印國際期貨有限公司) and Tangyin International Assets Management Co., Ltd (唐印國際資產管理有限公司). Mr. Qiu is widely recognised in the private equity funds industry and has been awarded for the funds he managed over the years. Ms. Cai and Mr. Qiu became acquainted through business and social events since 2010 and they kept regular contacts with each other thereafter. As the market influence and market share of our Group increased rapidly in 2017 and 2018 along with the rapid growth of the third-party payment industry, Ms. Cai and Mr. Qiu began to explore investment opportunities in our Group. They were then introduced to Mr. Liu through a mutual acquaintance in the Internet industry. Based on their knowledge and experience in capital markets and belief in the potential growth in the third-party payment market, coupled with the stable performance and well-established reputation of our Group, Ms. Cai and Mr. Qiu decided to invest in our Group.

Zhongshan Chuangtai is a limited partnership established in the PRC, which is managed by Shenzhen Zhongtian Huifu Fund Management Co., Ltd. (深圳中天匯富基金管理有限公司) as the general partner, which mainly focuses on private equity and venture capital investments in China.

Zhuhai Jinhuan is a limited partnership established in the PRC, which is managed by Guangzhou Zhanze Investment Management Co., Ltd. (廣州展澤投資管理有限公司) as the general partner, which mainly focuses on private equity and venture capital investments in China.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Second Round Series-C Investors

IVP Annex I LLC is a limited liability company established in the Cayman Islands and managed by Abico Advisory (BVI) Limited, which focuses on investing in technology companies. IVP Annex I LLC became acquainted with Mr. Liu through its manager, Abico Advisory (BVI) Limited, in August 2017. IVP Annex I LLC manages approximately US\$5 million in assets and is mainly engaged in pre-IPO investments sourced from venture capitalists in Taiwan and Japan. Abico Advisory (BVI) Limited is a professional investment management company with Mr. Joseph Huang ("**Mr. Huang**") being its director. Mr. Huang is an experienced venture capitalist and has extensive knowledge in the private equity sector. He was a partner at Ability One Ventures, a Taiwan-based boutique private equity firm. Abico Advisory (BVI) Limited also manages another fund, M17 Growth SPV LLC, which is a US\$17 million fund specialized in the media and entertainment industry. Mr. Huang is currently a partner of Infinity Ventures Partners and a consultant of IVP Advisory Co., Ltd., which manages a number of funds including IVP Funds. Mr. Huang provides consultancy service to one of the funds under IVP Advisory Co., Ltd. Mr. Huang is not involved in the day-to-day management and investment decisions of IVP Funds.

Baopu is a company established in Hong Kong, a wholly-owned subsidiary and an investment holding vehicle of Shanghai Baopu Investment Management Co., Ltd. ("**Shanghai Baopu**"), which mainly focuses on venture capital investments in emerging industries and long term value investing with a size of investment portfolio amounting to approximately US\$1,000 million. Baopu got acquainted with our Group through a financial intermediary in early 2019. In view of the prospect and growth potential of the third-party payment industry, Baopu decided to invest in our Group after having a thorough understanding of our Group's business. The board of directors of Shanghai Baopu comprises three directors, namely, Mr. Zhou Hao, Mr. Lou Jian and Ms. Yu Kai. Mr. Zhou Hao ("**Mr. Zhou**"), the chairman of the board of Shanghai Baopu, has over 20 years of experience in handling capital markets transactions. Mr. Zhou has worked in several top-tier PRC securities companies, overseas investment banks and investment institutions, and has managed a private equity fund with the size of assets managed amounting over RMB5,000 million. Mr. Lou Jian ("**Mr. Lou**") has more than 20 years of experience in handling capital markets transactions. Mr. Lou has worked in the China Securities Regulatory Commission and was a member of the senior management team of China Yangtze Power Co., Ltd. During his tenure, Mr. Lou handled capital markets transactions involving an aggregate amount of over RMB300 billion. Ms. Yu Kai ("**Ms. Yu**") was awarded a master degree from Peking University and has 10 years of experience in handling capital markets transactions. Ms. Yu has worked in CITIC Securities Co., Ltd. and its subsidiary investment companies. Shanghai Baopu is owned by four investment platform companies. The ultimate beneficial owners of Shanghai Baopu comprise 16 individuals and their attributable interest in Shanghai Baopu through various investment platform companies ranges from 0.04% to 29.93%.

TheOne is a company established in the BVI, which is wholly-owned by Mr. Chen Difeng ("**Mr. Chen**") and mainly focuses on venture capital investments in the TMT, healthcare and advanced manufacturing industry with a size of capital amounting to HK\$100 million. Mr. Chen was a member of the senior management team and has been the general manager of multiple well-established corporations in the PRC, including Ningbo United Group and Shanghai Shanshan Ruiyuan Import and Export Co. Ltd. He has been appointed as a director of Ningbo Dongfang Shipyard Co., Ltd since 2006. Our Group was introduced to Mr. Chen through a financial intermediary in early 2019. Having gained in-depth understanding about our Group and Mr. Liu, Mr. Chen decided to invest in our Group in the light of the business prospect and potential growth of our Group in the third-party payment industry.

As to other Second Round Series-C Investors, see paragraph headed "— Information about the Pre-IPO Investors — Series-B Investors".

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Lock-up

The relevant investors holding Series-A Preferred Shares, Series-B Preferred Shares and Series-C Preferred Shares in our Company immediately prior to the completion of the Global Offering (other than TheOne) are all subject to a lock-up of six months for the Shares they hold from the Listing Date. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no additional RSUs are granted under the RSU Scheme), 254,170,456 Shares, being the aggregate of 88,459,692 Shares held by the relevant Pre-IPO Investors and 165,710,764 Shares held by the Controlling Shareholders, representing approximately 61.3% of the issued share capital of our Company, will be subject to a lock-up period of six months from the Listing Date.

Public Float

As of the Latest Practicable Date, Mr. Mathias Nicolaus Schilling, our non-executive Director, held 47.5% of the total issued share capital in e.ventures Growth GP, LLC, the general partner of e.ventures Growth, L.P. In addition, (i) Mr. Akio Tanaka, a past director of our Company (resigned on August 13, 2019) and Yeahka WFOE (resigned on August 5, 2019), was the sole shareholder of Growth Tree Ltd, which in turn held 63.25% in each of IVP Fund II A (GP), Ltd. and IVP Fund II B (GP), Ltd., the respective general partners of IVP Fund II A L.P. and IVP Fund II B L.P.; (ii) Mr. Hirofumi Ono, our non-executive Director, Ms. Yumi Ono, the spouse of Mr. Hirofumi Ono, held 90% and 10% interest in eGuy & Goodman LLP, respectively, which in turn held 36.75% in each of IVP Fund II A (GP), Ltd. and IVP Fund II B (GP), Ltd., the respective general partners of IVP Fund II A L.P. and IVP Fund II B L.P. Accordingly, e.ventures Growth, L.P. and IVP Funds, two of our Pre-IPO Investors, are core connected persons of our Company and the Shares they held in our Company will not be counted as part of the public float.

Save for e.ventures Growth, L.P. and IVP Funds, each of the Series-A, Series-B and Series-C Investors is not a core connected person of our Company and the subscriptions/acquisition of the equity interest in Shenzhen Yeahka are not financed directly or indirectly by a connected person of our Company. Save for e.ventures Growth, L.P. and IVP Funds, the equivalent percentage of Shares held in our Company by the investment holding vehicles designated by Series-A, Series-B and Series-C Investors will be counted as part of the public float. See “— Corporate Reorganization”.

Compliance with Interim Guidance and Guidance Letters

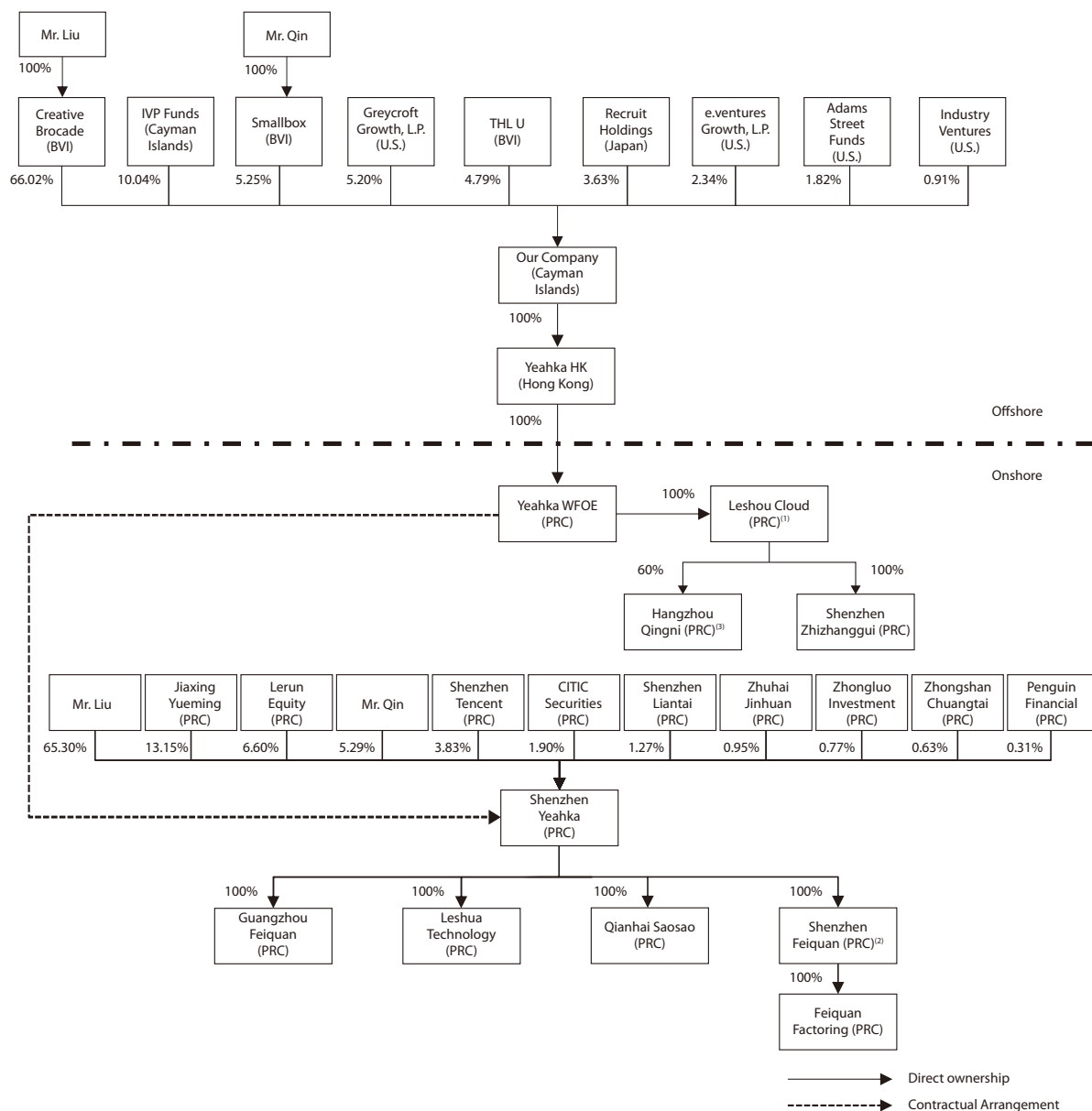
Based on the documents provided by our Company relating to the Pre-IPO Investments, the Joint Sponsors confirm that the Pre-IPO Investments are in compliance with (i) the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on October 13, 2010 and the Guidance Letter HKEx-GL29-12 reproducing the same issued by the Stock Exchange in January 2012 and updated in March 2017; (ii) the Guidance Letter HKEx-G43-12 issued by the Stock Exchange in October 2012 and updated in July 2013 and March 2017; and (iii) the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and updated in March 2017.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE REORGANIZATION

In preparation for the Global Offering, we have effected the Reorganization as described below.

The following chart illustrates our shareholding structure prior to the Reorganization:



Notes:

- (1) Leshou Cloud was owned through two individuals as nominees and such nominee shareholding arrangement was terminated on June 25, 2019. See “— Information on Members of our Group — Our Company — Leshou Cloud.”
- (2) Shenzhen Feiquan was owned through a nominee shareholder namely Shenzhen Chuangjin and such nominee shareholding arrangement was termination on June 28, 2019. See “— Information on Members of our Group — Our Company — Shenzhen Feiquan.”
- (3) As of the Latest Practicable Date, Mr. Li Zhi’ang, an independent third party, held the remaining 40% of equity interest in Hangzhou Qingni.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

We underwent the following steps in effecting the Reorganization:

Step 1: Capital reduction and capital increase in Shenzhen Yeahka

Pursuant to (i) a capital reduction agreement dated May 15, 2019 between Zhuhai Jinhuan, Shenzhen Yeahka and Yeahka WFOE; (ii) a capital reduction agreement dated May 15, 2019 between Zhongshan Chuangtai and Shenzhen Yeahka; (iii) a capital reduction agreement dated June 25, 2019 between CITIC Investment, Shenzhen Yeahka and Mr. Liu; (iv) a restructuring agreement dated June 25, 2019 between Jiaxing Yueming and Shenzhen Yeahka; (v) a restructuring agreement dated June 25, 2019 between Lerun Equity and Shenzhen Yeahka; (vi) a restructuring agreement dated June 25, 2019 between Shenzhen Liantai and Shenzhen Yeahka; (vii) a restructuring agreement dated June 25, 2019 between Shenzhen Tencent, Penguin Financial, Shenzhen Yeahka and Mr. Liu; (viii) a capital reduction agreement dated June 1, 2019 between Mr. Qin and Shenzhen Yeahka and (ix) a capital reduction agreement dated June 25, 2019 between Zhongluo Investment and Shenzhen Yeahka (collectively, the “**Restructuring Agreements**”), an onshore capital reduction was effected whereby each of CITIC Investment, Lerun Equity, Jiaxing Yueming, Shenzhen Liantai, Zhongshan Chuangtai, Zhuhai Jinhuan, Zhongluo Investment and Mr. Qin (collectively, the “**Onshore Restructuring Participants**”) agreed to cease to hold or reduce their equity interests in Shenzhen Yeahka (“**Onshore Capital Reduction**”) through reduction of their registered capital in return for a cash consideration paid by Shenzhen Yeahka. The consideration for Onshore Capital Reduction was fully settled on September 27, 2019. As a result of the Onshore Capital Reduction, the total registered capital of Shenzhen Yeahka was reduced to RMB14,236,828. The details of Onshore Capital Reduction are set out below:

No.	Onshore Restructuring Participants	Shareholding percentage (%) prior to the Onshore Capital Reduction	Shareholding percentage (%) after the Onshore Capital Reduction	Consideration for Onshore Capital Reduction (RMB Yuan)
1	CITIC Investment	1.8987%	0%	48,536,110 ⁽¹⁾
2	Lerun Equity	6.6012%	0%	Nil ⁽²⁾
3	Jiaxing Yueming	13.1478%	0%	Nil ⁽³⁾
4	Shenzhen Liantai	1.2658%	0%	Nil ⁽³⁾
5	Zhongshan Chuangtai	0.6329%	0%	21,606,576 ⁽¹⁾
6	Zhuhai Jinhuan	0.9494%	0%	30,749,589 ⁽¹⁾
7	Zhongluo Investment	0.7740%	0%	151,515 ⁽⁴⁾
8	Mr. Qin	5.2924%	4.5269%	20,000,000 ⁽⁵⁾

Notes:

- (1) The consideration was determined based on the investment amount made by the relevant shareholder plus the interests accrued on such investment amount. According to the Restructuring Agreements, the interest rates range from 1.5% to 12% per annum.
- (2) Initially, no consideration was paid by Lerun Equity when Lerun Equity subscribed for equity interests in Shenzhen Yeahka to mirror the offshore shareholding interests in our Company as part of the 2017 Restructuring. Therefore, no consideration would be paid to Lerun Equity for the capital reduction.
- (3) In return for the subscription of the Series-C Preferred Shares by JX SPV and LT SPV at par value, Jiaxing Yueming and Shenzhen Liantai have agreed to waive the obligations of Shenzhen Yeahka for payment of any consideration in connection with the capital reduction.
- (4) The consideration was the same as the initial amount of the capital injected by Zhongluo Investment.
- (5) The consideration was determined by reference to the valuation of Shenzhen Yeahka at the time as agreed among the parties.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On October 29, 2019, Mr. Liu subscribed for additional registered capital in Shenzhen Yeahka. The registered capital of Shenzhen Yeahka was increased from RMB14,236,828 to RMB200,000,000, which was fully paid up by cash. Upon completion of the Onshore Capital Reduction and the increase in the registered capital of Shenzhen Yeahka on October 29, 2019, the shareholding structure of Shenzhen Yeahka is as follows:

<u>Shareholders</u>	<u>Registered Capital Subscribed</u>	<u>Shareholding Percentage</u>
	(RMB)	
Mr. Liu	198,545,266	99.2726%
Mr. Qin	644,483	0.3223%
Shenzhen Tencent	750,000	0.3750%
Penguin Financial	60,251	0.0301%
Total	200,000,000	100%

Step 2: Restoration of the shareholding structure of our Company

Following the Onshore Capital Reduction, a series of steps have been undertaken to restore the shareholding structure of our Company such that it would reflect and align with the shareholding interests in Shenzhen Yeahka prior to the Onshore Capital Reduction. The share restoration steps being implemented are set forth below:

- On July 22, 2019, our Company repurchased 1,426,855 ordinary Shares from Creative Brocade and 1,502,954 ordinary Shares from Smallbox for a consideration of US\$142.6855 and US\$150.2954, respectively, which were determined based on the par value of such Shares; and
- On July 22, 2019, our Company issued and allotted Series-C Preferred Shares at par to JX SPV and LT SPV.

Further details of the share restoration steps undertaken in relation to each of the Onshore Restructuring Participants are summarized in the table below:

No.	Onshore Restructuring Participants	Relevant entity to subscribe for Shares/Preferred Shares	Number of Shares/Preferred Shares subscribed	Consideration involved
1	CITIC Investment	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾
2	Lerun Equity	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾
3	Jiaying Yueming	JX SPV	1,664,664 Series-C Preferred Shares	US\$166.4664
4	Shenzhen Liantai	LT SPV	951,237 Series-C Preferred Shares	US\$95.1237
5	Zhongshan Chuangtai	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾
6	Zhuhai Jinhuan	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾
7	Zhongluo Investment	N/A ⁽³⁾	N/A ⁽³⁾	N/A ⁽³⁾
8	Mr. Qin	N/A ⁽⁴⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) Following the Onshore Capital Reduction, CITIC Investment, Zhongshan Chuangtai and Zhuhai Jinhuan decided to realize their investments in our Group and not to acquire or subscribe for any Shares in our Company.
- (2) Lerun Equity originally subscribed for equity interests in Shenzhen Yeahka merely as a designate of certain Series-B Investors to mirror their offshore shareholding interests in our Group. Therefore, Lerun Equity was not entitled to subscribe for new Shares in our Company in connection with the capital reduction.
- (3) Considering the adoption of the Pre-IPO Stock Incentive Scheme and the RSU Scheme, no shares were to be issued to Zhongluo Investment, which was initially set up for the purpose of holding employees' incentive shares.
- (4) Mr. Qin received a cash consideration of RMB20,000,000 for the Onshore Capital Reduction and he was not entitled to subscription of any Shares in our Company.

At the same time when the share restoration steps were undertaken, certain existing Series-A Investors, Series-B Investors as well as new investors have subscribed for or acquired Series-C Preferred Shares:

- On July 22, 2019, our Company issued and allotted 165,836, 74,637, 60,118, 75,148 and 566,242 Series-C Preferred Shares to Greycroft Growth, L.P., e.ventures Growth, L.P., Adams Street Funds, IVP Annex I LLC and Baopu, respectively;
- On July 22, 2019, JX SPV transferred 86,000 and 1,578,664 Series-C Preferred Shares to TheOne and Recruit Holdings, respectively; and
- On July 22, 2019, IVP Fund II A, L.P. and IVP Fund II B, L.P. transferred an aggregate of 375,739 Series-A Preferred Shares to IVP Annex I LLC at a total consideration of US\$2,545,113. The consideration was determined based on arm's length negotiations between the parties after taking into account a certain percentage of the rate of return on the investment in the Series-A Preferred Shares and the number of years the investors had held such Series-A Preferred Shares.

For the shareholding structure of our Company upon completion of this restructuring step, see "— Pre-IPO Investments — Capitalization" above.

Step 3: Termination of the Previous Contractual Arrangements and adoption of the New Contractual Arrangements

On July 5, 2012, November 26, 2012 and September 16, 2013, a series of contractual arrangements were entered into by and among Yeahka WFOE, Shenzhen Yeahka and the then registered shareholders (the "**Previous Contractual Arrangements**"), pursuant to which Yeahka WFOE gained management control over the operations of our business conducted through Shenzhen Yeahka and its subsidiaries, and enjoys all economic benefits of Shenzhen Yeahka and its subsidiaries.

On October 29, 2019, as part of our Reorganization and pursuant to the Restructuring Agreements, a series of contractual arrangements were entered into by and among Yeahka WFOE, Shenzhen Yeahka, Mr. Liu, Mr. Qin, Shenzhen Tencent and Penguin Financial, including but not limited to the exclusive business cooperation agreement, exclusive option agreement, equity interest pledge agreement, loan agreement, spousal consent letter and power of attorney (collectively, the "**New Contractual Arrangements**"), pursuant to which all arrangements under the Previous Contractual Arrangements were terminated and replaced by the New Contractual Arrangements. For further details about the New Contractual Arrangements, see "Contractual Arrangements."

Step 4: Acquisition of the Business Conducted Through TuoZhanbao Finance

TuoZhanbao Finance provides marketing services relating to mobile payment products in the PRC. Clear Joyous had management control over the operations of the business conducted through TuoZhanbao Finance and enjoyed all economic benefits of TuoZhanbao Finance through its wholly-owned subsidiary Expanded Treasure pursuant to a series of contractual arrangements (the “**TuoZhanbao Contractual Arrangements**”). On June 25, 2019, in order to further accelerate our customer expansion and increase product and service offerings, our Company entered into a share purchase agreement pursuant to which Basic Sage, a special purpose vehicle wholly owned by Mr. Zhang Ju, transferred the entire issued share capital of Clear Joyous, to our Company at the consideration of the issue and allotment of 3,871,964 ordinary Shares by our Company to Basic Sage. Pursuant to such share purchase agreement, in the event that Clear Joyous fails to meet the performance objective stipulated in the agreement, our Company shall have the right to require Basic Sage to transfer certain Shares to an entity designated by our Company at zero consideration. If such right is to be exercised, our Company will designate any one or both of the RSU Nominees to take up the Shares which would form part of the Shares under the RSU Scheme. The consideration for the acquisition was determined based on arm’s length negotiation among the parties with reference to the operating results and prospects of the business conducted through TuoZhanbao Finance. The Directors confirm that Mr. Zhang Ju, the ultimate controlling shareholder of Basic Sage, is an independent third party of our Group and the acquisition of the business conducted through TuoZhanbao Finance was fully completed and settled. Mr. Zhang Ju became an indirect shareholder of our Company through Basic Sage.

On August 1, 2019 Letuobao was established by Expanded Treasure as its directly wholly-owned subsidiary in the PRC to undertake the business and operations as well as employees’ contracts to be transferred from TuoZhanbao Finance.

On August 31, 2019, a termination agreement was entered into among Mr. Zhang Ju, TuoZhanbao Finance and Expanded Treasure, pursuant to which the transfer of business operations and employees from TuoZhanbao Finance to Letuobao was completed and the TuoZhanbao Contractual Arrangements were terminated.

Step 5: Transfer of equity interests in relation to Qianhai Saosao and Shenzhen Feiquan

Qianhai Saosao is primarily engaged in payment terminal and mobile payment business, while Shenzhen Feiquan and Feiquan Factoring (a wholly-owned subsidiary of Shenzhen Feiquan) are primarily engaged in fintech businesses. As advised by our PRC Legal Advisors, the business activities of Qianhai Saosao, Shenzhen Feiquan and Feiquan Factoring are not subject to any foreign investment prohibition or restriction under applicable PRC laws and regulations. In order to narrowly tailor our New Contractual Arrangements, we undertook a series of share transfers so as to transfer the entire equity interest respectively in Qianhai Saosao and Shenzhen Feiquan from Shenzhen Yeahka to Yeahka WFOE:

- On August 5, 2019, Shenzhen Yeahka transferred 5% equity interests in each of Qianhai Saosao and Shenzhen Feiquan to Mr. Li Jinzhao, an independent third party, for a consideration of RMB275,000 and RMB100,000, respectively, which was determined based on the amount of the registered capital of Qianhai Saosao and Shenzhen Feiquan. Subsequently, Mr. Li Jinzhao transferred 5% equity interests in each of Qianhai Saosao and Shenzhen Feiquan to Yeahka WFOE for the same consideration.
- Yeahka WFOE acquired 95% equity interests in each of Qianhai Saosao and Shenzhen Feiquan from Shenzhen Yeahka on October 28, 2019 and November 5, 2019, respectively.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRE-IPO STOCK INCENTIVE SCHEME AND RSU SCHEME

We adopted the Pre-IPO Stock Incentive Scheme on January 1, 2013 to attract and retain the best available personnel, to provide additional incentives to employees, Directors and consultants and to promote the success of our Company's business. Since the adoption of the Pre-IPO Stock Incentive Scheme, a total of 8,527,346 share options were granted to our Directors and employees of our Group. None of the share options were exercised.

On August 1, 2019, our Board approved (i) certain amendments to the Pre-IPO Stock Incentive Scheme such that all options representing 8,527,346 shares granted under the Pre-IPO Stock Incentive Scheme were canceled and replaced with RSUs granted to the same eligible participants under the RSU Scheme and (ii) the grant of the RSUs representing an aggregate of 881,000 shares to the eligible participants under the RSU Scheme. On November 8, 2019, our Company issued and allotted 3,375,242 and 6,237,996 shares to RSU Nominee 1 and RSU Nominee 2 at par, respectively. As of the Latest Practicable Date, RSUs in respect of an aggregate of 9,408,346 shares (i.e. the 8,527,346 share options being converted into the RSUs pursuant to the replacement of the Pre-IPO Stock Incentive Scheme together with the RSUs in respect of 881,000 shares granted by our Board on August 1, 2019), representing approximately 9.07% of the Shares in issue on the Listing Date, had been granted to 85 RSU Participants pursuant to the RSU Scheme. Accordingly, 9,408,346 shares underlying the RSUs were held by the RSU Nominees for the benefit of the RSU Participants pursuant to the RSU Scheme and the remaining 204,892 shares as held by the RSU Trustee are reserved for any grant of additional RSUs in the future. For details of the Pre-IPO Stock Incentive Scheme and the RSU Scheme, see "Statutory and General Information — D. Share Incentive Schemes."

LIU FAMILY TRUST

The Liu Family Trust was established by Mr. Liu as the settlor and Liu FT Trustee as the trustee on January 2, 2020. The Liu Family Trust is a discretionary trust and the beneficiary of which includes Mr. Liu. Under the trust deed of the Liu Family Trust, for so long as Liu FT Trustee holds or controls any Shares, all voting rights attaching to such Shares shall be in effect exercised by Mr. Liu.

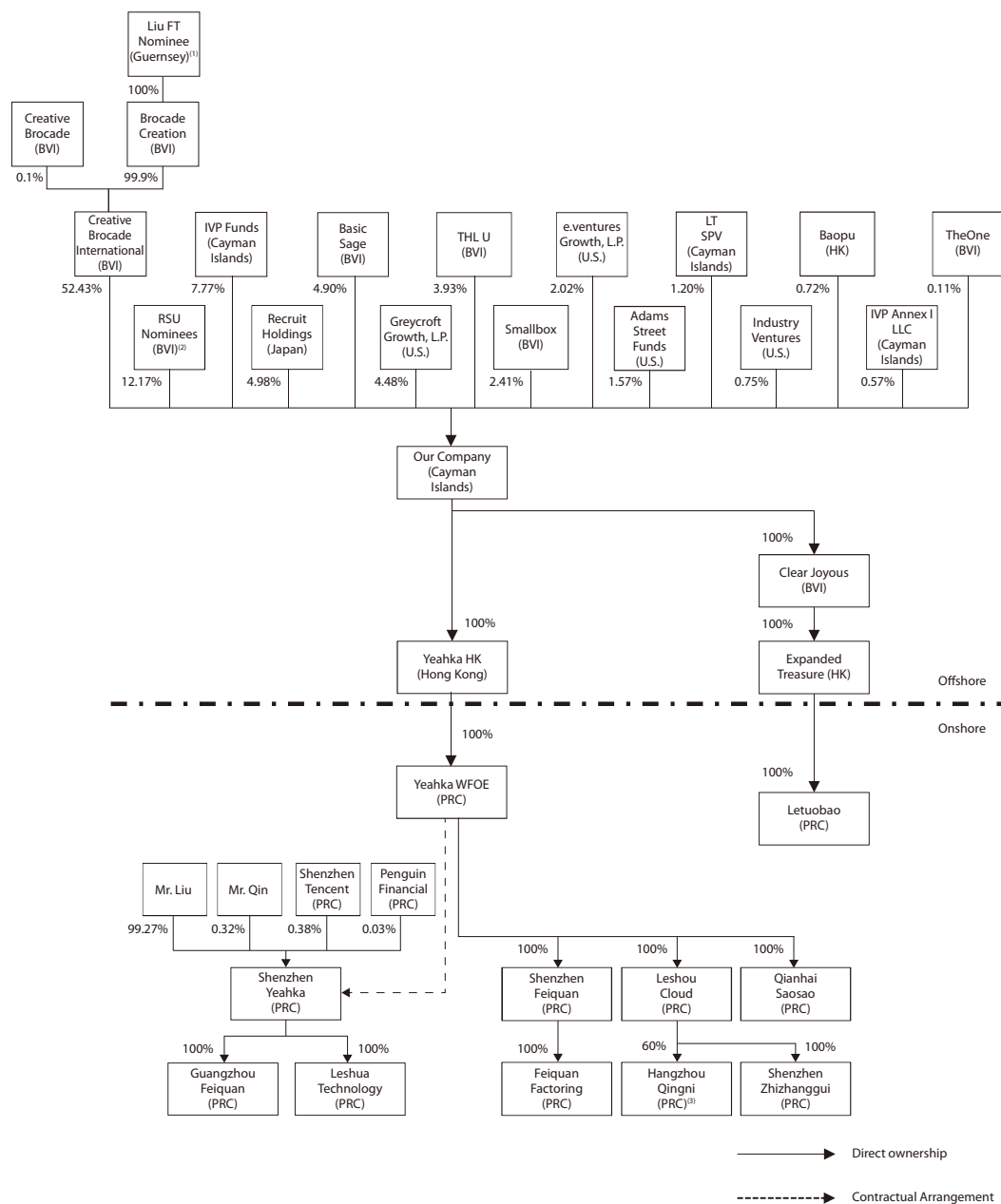
On January 15, 2020, Creative Brocade transferred 41,427,691 ordinary shares in our Company to Creative Brocade International in consideration of Creative Brocade International issuing and allotting one ordinary share to Creative Brocade. On January 15, 2020, Brocade Creation became a wholly-owned company of Liu FT Nominee, the holding vehicle used by Liu FT Trustee. On January 21, 2020, Creative Brocade International issued and allotted 999 ordinary shares to Brocade Creation. As a result, Creative Brocade International is held as to 0.1% by Creative Brocade and 99.9% by Brocade Creation.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

Corporate structure before the Global Offering

The following diagram illustrates the corporate and shareholding structure of our Company immediately after the Reorganization but prior to the completion of the Global Offering:



Notes:

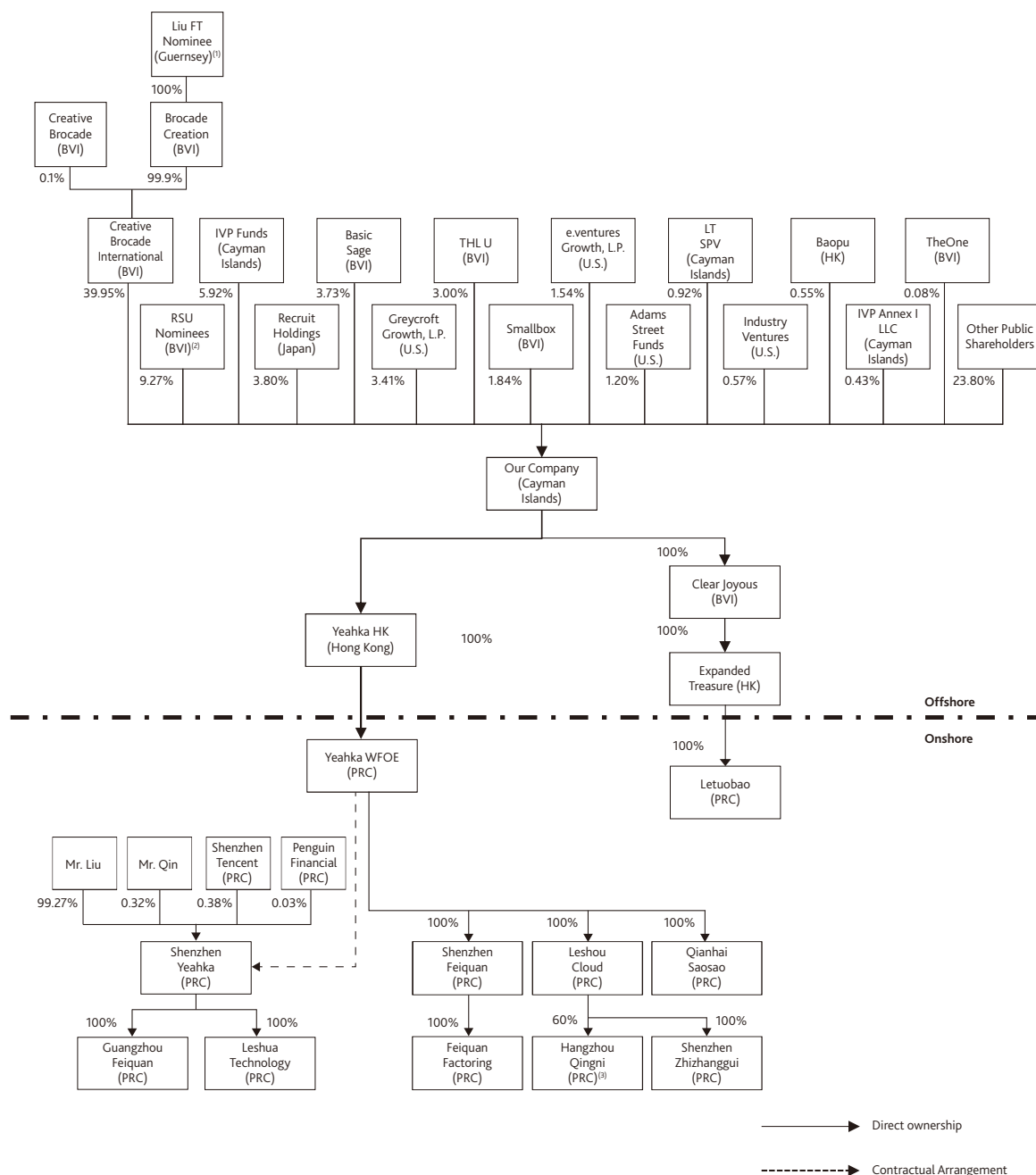
- (1) Liu FT Nominee is held by two nominees of Liu FT Trustee (the trustee of the Liu Family Trust).
- (2) RSU Nominees refer to RSU Nominee 1 and RSU Nominee 2. RSU Nominee 1 holds 3,375,242 shares underlying the RSUs granted pursuant to the RSU Scheme, and is a wholly-owned subsidiary of the RSU Trustee. RSU Nominee 2 holds 6,237,996 shares underlying the RSUs granted pursuant to the RSU Scheme, and is a wholly-owned subsidiary of the RSU Trustee. RSU Nominee 1 and RSU Nominee 2 hold their respective shares through separate trusts.
- (3) As of the Latest Practicable Date, Mr. Li Zhi'ang, an independent third party, held the remaining 40% of equity interest in Hangzhou Qingni.

* The diagram above omits those PRC entities within our Group that are considered immaterial in terms of our business operations.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Corporate structure immediately following the Global Offering

The following diagram illustrates the corporate and shareholding structure of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no additional RSUs are granted under the RSU Scheme):



Notes:

- (1) Liu FT Nominee is held by two nominees of Liu FT Trustee (the trustee of the Liu Family Trust).
- (2) RSU Nominees refer to RSU Nominee 1 and RSU Nominee 2. RSU Nominee 1 holds 13,500,968 Shares underlying the RSUs granted pursuant to the RSU Scheme, and is a wholly-owned subsidiary of the RSU Trustee. RSU Nominee 2 holds 24,951,984 Shares underlying the RSUs granted pursuant to the RSU Scheme, and is a wholly-owned subsidiary of the RSU Trustee. RSU Nominee 1 and RSU Nominee 2 hold their respective Shares through separate trusts.
- (3) As of the Latest Practicable Date, Mr. Li Zhi'ang, an independent third party, held the remaining 40% of equity interest in Hangzhou Qingni.

* The diagram above omits those PRC entities within our Group that are considered immaterial in terms of our business operations.

PRC REGULATORY REQUIREMENTS

According to the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by the PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisors are of the opinion that, based on its understanding of the current PRC laws and regulations, prior CSRC approval for this offering is not required because (i) our wholly foreign-owned PRC subsidiaries were not established through a merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company, and (ii) no provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to the M&A Rules.

Our PRC Legal Advisors have confirmed that all necessary relevant approvals, permits and filings under PRC laws regarding the Reorganization set out above had been obtained and the procedures involved had been carried out in accordance with PRC laws and regulations. Our PRC Legal Advisors have also confirmed that the transfers of interests in PRC companies set out above in “— Corporate Reorganization” have been properly and legally completed.

SAFE REGISTRATION IN THE PRC

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**Circular No. 37**”), promulgated by SAFE and which became effective on July 14, 2014 and replaced the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Corporate Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 75**”), (i) a PRC resident must register with the local SAFE branch in connection with their contribution of offshore assets or domestic enterprises’ equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting overseas investment or financing, and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Circular No. 37, failure to comply with these registration procedures may result in penalties. In addition, the PRC subsidiaries of that Overseas SPV may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the Overseas SPV and its offshore subsidiary may be restricted in their ability to contribute additional capital to their PRC subsidiaries.

Pursuant to the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "Circular No. 13") promulgated by the SAFE and came into effect on June 1, 2015, the local banks would review and carry out foreign exchange registration under overseas direct investment directly, and SAFE and its local branches shall implement individual supervision over foreign exchange registration of overseas direct investment via the banks.

Our PRC Legal Advisors have confirmed that, being PRC residents, Mr. Liu and Mr. Qin have duly completed registration in respect of their investments in our Group in accordance with Circular No. 75 on April 10, 2012, and Mr. Zhang Ju has duly completed registration in respect of his investment in our Group in accordance with Circular No. 37 and Circular No. 13 on June 28, 2019.

OUR MISSION

Our mission is to continuously create value for merchants and consumers.

OVERVIEW

We are a leading payment-based technology platform in China providing payment and business services to merchants and consumers. Payment is at the heart of commerce and the foundation of our technology. Every payment creates an opportunity for us to better understand our customers, and provide them with continuously improving products, services and technologies. We acquire customers via the provision of payment services and offer technology-enabled business services to them. Our value proposition is a cohesive ecosystem that enables seamless, convenient and reliable payment transactions between merchants and consumers, complemented with a rich variety of value-added services. Our platform provides merchants with one-stop access to a wide variety of payment methods and channels, allowing consumers to pay with their preferred methods and channels, thus enhancing the transaction experience. Currently, our QR code payment services support payments from over 500 issuer's mobile apps, including WeChat Pay, Alipay or Mobile QuickPass, covering most of the e-wallets in China. Leveraging our vast customer base and data assets accumulated from payment services, we further offer a rich variety of technology-enabled business services, including (i) merchant SaaS products, which help customers improve their operational efficiency, (ii) marketing services, allowing customers to effectively reach their target markets, and (iii) fintech services, which cater to customers' financial needs.

We are uniquely positioned in the third-party payment value chain, and operate in a sub-market that accounts for approximately 17.5% of the third-party payment market in 2019. We, as an independent payment service provider, with extensive offline distribution networks and merchant customer base, focus on enabling merchants to accept payments from multiple issuers. By contrast, affiliated payment service providers, such as WeChat Pay, Alipay and China UnionPay Merchant Services, despite having significant market share in the third-party payment service market, either (i) only accept payments from their own e-wallets and process substantial amount of GPV from online merchants, or (ii) primarily focus on transactions from their affiliated issuers. In particular, while WeChat Pay and Alipay focus on the consumer side of payment transactions, and China UnionPay Merchant Services focuses on transactions made via co-issued bank cards of UnionPay, its holding company, we focus on enabling merchants to accept payments from multiple issuers as an independent party.

On the other hand, as compared with other independent payment service providers, we have outstanding servicing capabilities as well as the ability to offer technology-enabled business services as an integral part of our service offerings, creating a self-reinforcing ecosystem that empowers digital transformation. We have broad partnership with over 8,000 partners in our distribution channels, namely independent sales agents, sales partners, and SaaS partners. As of the Latest Practicable Date, our distribution network had covered 30 provinces and municipalities and over 300 cities in China. Leveraging our robust technology infrastructure, we have developed in-house our platform which securely processes a massive volume of transactions and achieves a high level of automation and stability. Further, we are a leader in the China third-party payment service industry, and were among the first licensed third-party payment service providers to launch integrated QR code payment services in China. We have also accumulated a sizable existing payment customer base. Our extensive distribution and service network, IT infrastructure, coupled with our ability to offer cohesive technology-enabled business services, create high switching costs for existing merchant customers to leave our service ecosystem.

BUSINESS

Having launched our technology-enabled business services in 2015, we are a pioneer among independent third-party payment service providers in offering value-added services to customers. According to Oliver Wyman, as of December 31, 2019, the vast majority of independent third-party payment service providers did not provide value-added services in addition to their payment services. Among those that provided such services, their services either (i) were less integrated with payment services, e.g. most of their value-added service customers were not converted from payment services, or (ii) contributed a much less proportion of their total revenue. Further, led by a management team with strong background in technology and payment, we are able to integrate technology into our service portfolio, cater to merchant customers' needs for digital solutions in operations and provide them with services beyond payment. We have self-developed or co-developed most of our technology-enabled business services, hence allowing us more control over the cohesiveness of our services, and to better target at specific business and operation needs outside the payment realm.

As a result of the cohesiveness among our services, over 90% of our business service customers as of December 31, 2019 were converted from payment service customers. Driven by accelerated conversion, the number of our technology-enabled business service customers grew from approximately 4,000 as of December 31, 2017 to approximately 80,000 as of December 31, 2018, and further to approximately 431,000 as of December 31, 2019. As a result, in 2017, 2018 and 2019, we generated 1.7%, 2.5% and 7.8% of our revenue, and 4.0%, 8.4% and 18.1% of our gross profit from our technology-enabled business services, respectively, representing a CAGR of 114.2% and 112.7%, respectively. For example, our ability to integrate technology-enabled business services into payment is enshrined in our development of Smart Shopkeeper, an intelligent ordering machine which is used in conjunction with our customized restaurant management apps to offer integrated business and payment solutions to customers. At the outset, we conducted extensive underlying research to build in comprehensive scenario-specific functionalities, including smart ordering, smart financial statement, smart payment and smart marketing into Smart Shopkeeper. Also, we operate a WeChat public account for Smart Shopkeeper to interact with merchant user communities and empower them by sharing insights and training materials. As of the Latest Practicable Date, the Smart Shopkeeper was the bestselling cash registers on Tmall, a leading ecommerce marketplace in China, scoring over 30% higher than industry average in terms of customer satisfaction.

As of December 31, 2019, we were one of the only 16 payment service providers that were granted both the national bank card acquiring license and mobile phone payment license. We have one of the largest third-party payment service customer bases in China, and it is growing rapidly. According to Oliver Wyman, we are the second largest non-bank independent QR code payment service provider in China, with approximately 14.0% market share in terms of transaction count in 2019, and ranked 10th among third-party payment service providers in China, with approximately 1.3% market share in terms of transaction volume in 2019. For the year ended December 31, 2019, we recorded a GPV (gross payment volume) of RMB1,500.3 billion, growing 92.6% from the same period in 2018, surpassing China's consumer-to-business payment market's year-on-year growth rate of 16.3% in 2019. As of December 31, 2019, our active payment service customers amounted to 5.3 million, increasing from 3.8 million as of December 31, 2018. Based on the unique user identification recorded in our system, each representing a consumer account that has made payments via our platform (multiple transactions made by a single account will only be counted as one consumer), in 2019, we served approximately 367.8 million consumers via our payment services, growing from approximately 141.6 million in 2018. Leveraging our rapidly expanding payment service customer base, we cross-sell our technology-enabled business services at minimal incremental costs. A growing number of our payment service customers also become customers of our technology-enabled business services.

BUSINESS

Leveraging our integrated technology platform, we offer multiple products and services, including:

- *One-stop payment services*, which consist of (i) app-based payment services where we enable our customers to accept payments using our mobile apps, or when consumers pay our merchant customers through third-party e-wallets, and (ii) traditional payment services, where we enable customers to accept non-cash payments that do not belong to app-based payments, including accepting card payments with traditional payment terminals; and
- *Technology-enabled business services*, which consist of a rich variety of value-added services, including (i) merchant SaaS products, which help customers improve their operational efficiency, (ii) marketing services, which is provided primarily via a payment-based advertising platform, allowing customers to effectively reach their target markets, and (iii) fintech services, which cater to our customers' financial needs.

We experienced significant growth during the Track Record Period. For the year ended December 31, 2017, 2018 and 2019, our revenue increased from RMB304.7 million to RMB992.9 million and further to RMB2,258.0 million, representing a CAGR of 172.2%. Our GPV increased from approximately RMB232.8 billion in 2017 to RMB778.9 billion in 2018 and further to RMB1,500.3 billion in 2019, with a CAGR of 153.8%.

OUR COMPETITIVE STRENGTHS

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

Leading payment-based technology platform for customers

We are a leader in the third-party payment service industry in China. We are one of the only 16 payment service providers that were granted both the national bank card acquiring license and mobile phone payment license. Our sizable and rapidly growing payment service customer base together with our increasing transaction volume have formed the backbone of our market leading position, and help us generate deep insights of our customers. The scale of our customer base and data accumulated effectively form a strong entry barrier. According to Oliver Wyman, we are the second largest non-bank independent QR Code payment service provider in China, with a market share of 14.0% in terms of transaction count in 2019. In 2019, we have recorded a GPV of approximately RMB1,500.3 billion, growing 92.6% from 2018, surpassing China's consumer-to-business payment market year-on-year growth rate of 16.3% in 2019. For the year ended December 31, 2019, we recorded GPV of over RMB1,500.3 billion. As of December 31, 2019, we had approximately 5.3 million active merchant customers, increasing from 3.8 million as of December 31, 2018. Based on the unique user identification recorded in our system, each representing a consumer account that has made payments via our platform (multiple transactions made by a single account will only be counted as one consumer), in 2019, we served approximately 367.8 million consumers in our payment services, growing from approximately 141.6 million in 2018.

BUSINESS

Leveraging close connection to and deep understanding of our customers, as well as innovative technologies, we are a pioneer and a leader in extending business services to customers. According to Oliver Wyman, we are one of the first to develop and provide an integrated technology platform to serve micro and small merchants' needs for payment and business services in China. As of the Latest Practicable Date, Smart Shopkeeper intelligent ordering machine, which is used in combination with our customized restaurant management app for integrated restaurant management solution was the bestselling and the second-bestselling cash register on Tmall and Pinduoduo, respectively. Tmall and Pinduoduo are two leading ecommerce marketplaces in China.

With over five years of experience in the payment services industry in China, we have built a reputation and proven track record. We are highly recognized in the payment services industry. In 2018, we were granted the "Outstanding Financial Technology Institution Award" by Paypedia. In 2019, our food and beverage industry solution use case was awarded the "Convenience Services Award" by Payment & Clearing Association of China.

Cohesive and innovative service portfolio creating a self-reinforcing ecosystem that empowers digital transformation

There is an increasing demand from customers of all types and sizes for solutions to help generate incremental sales and increase efficiency through digital transformation. We provide customers with a cohesive portfolio of services that caters to their demand for digital solutions in the areas of payment, business operations, marketing and financial needs. With our analytics and artificial intelligence capabilities, we leverage deep insights from various payment scenarios and massive transaction data to create an ecosystem of cohesive services, which in turn generates more insights and scenarios and further strengthens our ecosystem, leading to a virtuous cycle.

Through the provision of payment services, we accumulate multi-faceted transaction and behavioral data, upon which data analytics can be utilized to conduct customer profiling, providing valuable insights for us to deliver more customized services and better user experience. We continuously collect multi-faceted data, including unique customer account, transaction type, transaction value, location, and frequency. Our vast customer base allows us access to such rich array of data assets. As of December 31, 2019, we had approximately 5.3 million active merchant customers, and we served approximately 367.8 million consumers in our payment services in 2019.

Payment services act as our gateway to cross-sell our services to customers in industries including retail, wholesale, and food and beverage industry. Building upon our payment services, we combine scenarios and data analytics to provide a cohesive portfolio of intelligent and targeted services that help generate incremental sales and improve operating efficiency. Integrated with our payment services, our merchant SaaS products such as Smart Shopkeeper and Smart Sales provide customers with multiple scenario-specific functionalities, including real-time inventory management, customer relationship management, smart order management, and all-rounded employee management. Our marketing services include customer loyalty program e-tools and a payment based advertising platform that allows our customers to effectively reach their target markets. Leveraging data accumulated from our payment services and powered by our AI-enabled image recognition, intelligent credit analysis and scoring technologies, we provide fintech services including scenario-based loan facilitation services, entrusted loans and insurance referral services.

Rapidly growing customer base built upon strong distribution network with scalable go-to-market approach

We acquire customer base through payment services, to whom we cross-sell our technology-enabled business services to extract more value. Through the broad partnership with over 8,000 partners in our distribution channels, namely independent sales agents, sales partners, and SaaS partners, we have been rapidly expanding our customer base nationwide in a cost-effective manner. As of the Latest Practicable Date, our distribution network has covered 30 provinces and municipalities and over 300 cities in China. The number of our active payment service customers has been growing at a CAGR of 80.3% from approximately 1.6 million as of December 31, 2017 to 3.8 million as of December 31, 2018, and further to 5.3 million as of December 31, 2019. Our customer acquisition cost declined from RMB34 per customer for the year ended December 31, 2017 to RMB20 per customer for the year ended December 31, 2018, and further decreased to RMB17 per customer for the year ended December 31, 2019.

Our differentiated business services enhance user experience and deepen our relationships with our distribution channels and partners. Leveraging our rapidly expanding payment service customer base, we cross-sell our technology-enabled business services at minimal incremental costs. A growing number of our payment service customers were converted into customers of our technology-enabled business services. As of December 31, 2019, over 90% of our business service customers were converted from payment service customers.

A trusted platform with reliable and robust technology infrastructure driving high operating performance

We are led by a team of experienced technology professionals with extensive payment and technology background in China. Our research and development expenses increased from RMB24.3 million for the year ended December 31, 2017 to RMB78.4 million for the year ended December 31, 2019, representing a CAGR of 79.6%. As of December 31, 2019, all of our 199 research and development staff, and 126 product and operation team members have expertise in system, infrastructure, large-scale distributed application technology, big data computing technology or artificial intelligence. They represent 39.3% and 24.9% of our total number of employees, respectively.

Leveraging our robust technology infrastructure, we have developed in-house our core technologies and private cloud. The platform securely processes a massive volume of transactions, achieves a high level of automation and stability, and is highly compatible with mainstream payment methods and channels, and easily scalable. Currently, the system is capable of processing over 100 million transactions per day, with a peak processing capability of over 10,000 transactions per second.

Our proprietary private cloud technology allows for flexibility and dedicated resources to cater to the ever-growing volume and velocity of data that we process and store. We have utilized two independent data centers operated by Shenzhen Telecom, one of which was rated five-star, pursuant to the Classification and Evaluation of IDC Server Room (IDC業機房星級的劃分與評定) published by Certification and Accreditation Administration of the People's Republic of China. Our system is constructed with parallel processing structure across the two independent data centers to enhance utility and stability. In 2019, our transaction system did not encounter any major system interruption.

BUSINESS

Backed by our capabilities in data analytics and artificial intelligence, we have automated various components of our business process. We deployed machine learning algorithm to automate business workflows, including client onboarding, customer servicing, payment transaction processing, and credit decisioning. Automation allows us to improve efficiencies, operating leverage and client satisfaction. Our operating expenses as a percentage of revenue has decreased from 55.6% for the year ended December 31, 2017 to 23.9% for the same period in 2018. It further decreased to 12.2% for the year ended December 31, 2019.

Dynamic and technology-driven risk management

Risk management is critical to our market reputation, regulatory compliance, operating efficiency and financial performance. Leveraging the scale of data assets we accumulated from our payment services, together with our data analytics and artificial intelligence capabilities, we have constructed a robust and dynamic risk management system.

Our sophisticated anti-fraud system automatically analyzes multi-dimensional information to evaluate and minimize fraud exposure. It promptly identifies and intercepts fraudulent and suspicious transactions. As of the Latest Practicable Date, we have not encountered any incident where we fail to screen and report merchants that were identified as suspected money launderer by the PBOC. In December 2019, our fraud loss rate, which represents the loss due to transactions denied by cardholders, was 0.000042%. We have integrated AI-powered graphic recognition and bio-recognition technology into our payment services and merchant SaaS products to enhance security. We have also applied image and video recognition to enable automated real time customer verification. Utilizing our proprietary machine learning algorithm, our credit risk model is capable of intelligently analyzing a massive database, comprising over 3,600 proprietary and third-party variables for credit assessment, risk calculation and risk pricing.

We have a well organized risk management structure, led by our risk management committee. We have implemented an enterprise risk management system that continuously identifies, and proactively addresses, major risks in our business. Our dedicated risk management team comprises over 15 highly competent analytical professionals, and is closely involved in all major aspects of our operations.

Visionary and seasoned management, with proven track record and strong shareholder support

Our visionary management team commands strong operational experience in China technology powerhouses, and extensive expertise in payment services. With their leadership and extensive background in payment and technology, we will continue to pioneer, innovate and serve customers by addressing their needs.

Our chairman and chief executive officer, Mr. Liu was the general manager of TenPay since its incorporation. During his tenure, Tenpay grew to become the second largest online payment company in China. Mr. Liu has over 17 years of experience in third-party payment and technology industry. Our chief architect, Mr. Luo Xiaohui, worked at Tencent Technology (Shenzhen) Co. Ltd (騰訊科技(深圳)有限公司) as its deputy director of Development Center prior to joining us. Our chief strategy officer, Ms. Zhou Lingli, served at various leading financial institutions. She has over ten years of experience in the finance industry. Our chief financial officer, Mr. Yao Zhijian, worked at the finance department of leading conglomerates.

BUSINESS

Furthermore, we are backed by marquee investors, including Tencent, Recruit Holdings, Adams Street Funds, IVP Funds, Greycroft Growth L.P. and e.ventures Growth L.P.. For instance, in 2012, when we were at our early-stage of development, Tencent provided us with support in customer acquisitions. Amongst others, we were provided with promotional resources for our payment service business. We leveraged Recruit Holdings' resources to introduce various innovative products. For instance, in July 2015, we collaborated with Recruit Holdings to introduce Smart Shopkeeper, an integrated restaurant management solution, comprising an intelligent ordering machine and customized restaurant management apps, that connects in-store management data and provides real-time business update to address various needs of the catering industry. In March 2019, we have also formed RYK Capital Partners Limited, an investment platform with Recruit Holdings, dedicated to co-invest in areas that complement to our payment and technology-enabled business services.

OUR STRATEGIES

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

Expand customer reach via payment services

Customer base is the core building block of our business. We will continue to expand our customer base for payment services, and convert them into customers of our technology-enabled business services, strengthening customer acquisition. We will continue to deepen our collaboration with sales agents, sales partners and SaaS partners, and explore cooperation with more distribution partners in China and overseas.

China's app-based payment services market is expected to grow from RMB19.4 trillion in 2019 to RMB52.5 trillion in 2023, at a CAGR of 28.3%. With its speed, security and the unique advantage of bridging online payment to offline sales, we believe that app-based payment, particularly QR code payment, will gain mainstream prominence in payment. We plan to further expand the scale of our app-based payment services and attract a wider customer base.

We will continue to expand our customer reach and regional coverage, and increase our market share in the payment services industry. We will also replicate and roll out our successful business model in overseas markets with less advanced and mature payment service technology or network, and expand our service capabilities in cross-border payment services. Currently, we have strategically invested in a number of companies which provide app-based payment services, cross-border payment services and business services to merchants and we will continue to explore strategic alliances with, investment in, or acquisitions of growth stage payment platforms.

Enhance and expand technology-enabled business services

Our data assets and capabilities in data analytics and artificial intelligence can be deployed to a wide range of scenarios and tailored to specific tasks. We will continue to enhance and tailor our merchant SaaS products for industries we currently serve. We will also seek to extend merchant SaaS products to other industry verticals, enabling digital transformation of customers' business and operations.

Leveraging data assets we accumulated from payment services, we will continue to expand marketing services for customers. We will construct platforms that can be connected to online market place for advertisement to facilitate sale of advertising space. We will continuously improve our data management platform with our data assets to enhance the effectiveness of our marketing services.

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We will also continue to grow fintech services for our customers. Our data analytics utilizes distributed computing and machine learning to analyze correlations between customers' data to facilitate a range of decisioning processes, including credit approval and pricing. We will continue to invest in artificial intelligence and big data driven technologies to enhance our risk management system. For instance, we leveraged our machine learning powered model to aggregate a broad range of data. These data constitute the core input to our credit risk model that assesses the credit profile of our customers.

We will selectively pursue strategic alliances with, or acquisitions of, advertising platforms and SaaS developers with complementary cutting-edge technologies or products, or platforms that would allow us to gain access to additional business licenses.

Continue to invest in our infrastructure, technologies, analytics and artificial intelligence

We will continue to invest in our proprietary cloud infrastructure and payment related technologies to ensure strong data processing capability and system security.

In September 2017, we established AI laboratory, a dedicated artificial intelligence initiative. It has a twofold mission of (i) enhancing our service offerings and use cases with mature artificial intelligence technologies, and (ii) exploring the business application of cutting-edge artificial intelligence technologies.

We intend to focus on the application of image and video recognition technology utilizing computer vision to enable smart business analytics, allowing customers to identify, categorize, and analyze consumer behaviors for enhanced decision making. In particular, we will explore the application of facial recognition to build more accurate and detailed consumer profile. We will also explore the use of video recognition to collect data for store operation analytics. We also intend to use machine learning technology to enhance credit risk management.

We will selectively pursue strategic alliances with, or acquisitions of, companies with complementary capabilities in big data analytics, AI and other innovative technologies.

Recruit, cultivate and retain talents

We believe that talent management is one of the key drivers behind our growth. The ability to attract, cultivate and retain talents is therefore key to our continuous innovation and success. We will continue to adopt a lean and flat organization structure to encourage employees responsibilities and personal growth. We will continue to recruit top of class talents from reputable schools and companies, targeting areas including customer development, product research and development, technical skills and business management.

To incentivize and retain talents, we have established a dual-track career path that separately assesses managerial and technical talents, enhancing opportunities for personal development and career advancement. We will continue to provide mentoring and training to new recruits as well as ongoing in-house training for different levels of employees. We will continue to offer upward mobility, and career flexibility to attract talents in the market.

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OUR BUSINESS

We are a leading payment-based technology platform in China providing payment and business services to merchants and consumers. We started our payment services business in 2012, offering seamless, convenient and reliable payment services to micro and small merchants, connecting them with millions of consumers. In addition to the rapid growth in our payment services, our business has expanded beyond payments. The size of our payment services business enables us to develop a deep understanding of customers' needs, and build a cohesive ecosystem. As such, we have extended our product and service offerings to technology-enabled business services which consist of merchant SaaS products, marketing services and fintech services. We have developed an end-to-end ecosystem which facilitates transactions between merchants and consumers and creates value for them. Our principal business lines include:

- *One-stop payment services*, which consist of (i) app-based payment services where we enable our customers to accept payments using our mobile apps, or when consumers pay our merchant customers through third-party e-wallets, and (ii) traditional payment services, where we enable customers to accept non-cash payments that do not belong to app-based payments, including accepting card payments with traditional payment terminals; and
- *Technology-enabled business services*, which consist of a rich variety of value-added services, including (i) merchant SaaS products, which help customers improve their operational efficiency, (ii) marketing services, allowing customers to effectively reach their target markets, and (iii) fintech services, which cater to our customers' financial needs.

The following table summarizes our monetization model of each type of business:

<u>Our Business</u>	<u>Our Role</u>	<u>Our Source of Revenue</u>
One-stop Payment Services		
App-based payment services	<ul style="list-style-type: none">• To provide customers with payment services	<ul style="list-style-type: none">• Service fees from customers, which typically equal to an agreed percentage of the GPV, net of the interchange fee for payment networks
Traditional payment services	<ul style="list-style-type: none">• Same as above	<ul style="list-style-type: none">• Same as above

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Our Business	Our Role	Our Source of Revenue
Technology-enabled Business Services		
Merchant SaaS products	<ul style="list-style-type: none"> To offer SaaS products to customers 	<ul style="list-style-type: none"> Sales revenue and subscription fees from customers
Marketing services	<ul style="list-style-type: none"> To provide (i) a payment-based online advertising platform on which payment service customers and other customers can promote their businesses to consumers utilizing intelligent marketing tools and marketing solutions available on the platform; and (ii) off-line marketing services to merchant service providers 	<ul style="list-style-type: none"> Commissions agreed with customers
Fintech services	<ul style="list-style-type: none"> To provide customers with access to a variety of financial products, including loan facilitation services, entrusted loans on our technology platform and insurance referral services 	<ul style="list-style-type: none"> (i) Service fees from financial institution partners for loan facilitation services, (ii) interest income received from borrowers for entrusted loans and (iii) technology service income charged to the insurance companies we cooperated with for insurance referral services

The following table sets forth our revenue by business type for the years indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
One-stop payment services	299,479	98.3	967,988	97.5	2,081,051	92.2
Technology-enabled business services	5,209	1.7	24,903	2.5	176,968	7.8
Total revenue	304,688	100.0	992,891	100.0	2,258,019	100.0

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The following table sets forth our gross profit in absolute amounts and as a percentage of our total gross profit by business type for the years indicated:

	For the year ended December 31,					
	2017		2018		2019	
	Gross profit RMB'000	%	Gross profit RMB'000	%	Gross profit RMB'000	%
One-stop payment services	113,432	96.0	246,807	91.6	530,010	81.9
Technology-enabled business services	4,714	4.0	22,728	8.4	117,025	18.1
Total	118,146	100.0	269,535	100.0	647,035	100.0

Key Operating Data

We evaluate our operating results through various indicators. The following table sets forth our key operating data during the Track Record Period:

	For the year ended/ As of December 31,		
	2017	2018	2019
One-stop Payment Services			
GPV (RMB in million)	232,840	778,896	1,500,334
App-based payment services	69,825	326,034	902,734
Traditional payment services	163,015	452,863	597,600
Average Fee Rate (bps)	12.9	12.4	13.9
App-based payment services	20.8	16.4	17.3
Traditional payment services	9.5	9.5	8.8
Number of Active Payment Service			
Customers ¹ (thousand)	1,624	3,791	5,278
Customer Acquisition Cost ² (RMB)	34	20	17
Commission paid for newly acquired customers ³ (RMB in million)	115.0	404.7	514.0
Commission rate for newly acquired customers ⁴ (%)	58.3	71.4	70.3
Technology-enabled Business Services			
Number of Business Service Customers (thousand)	4	80	431

Notes:

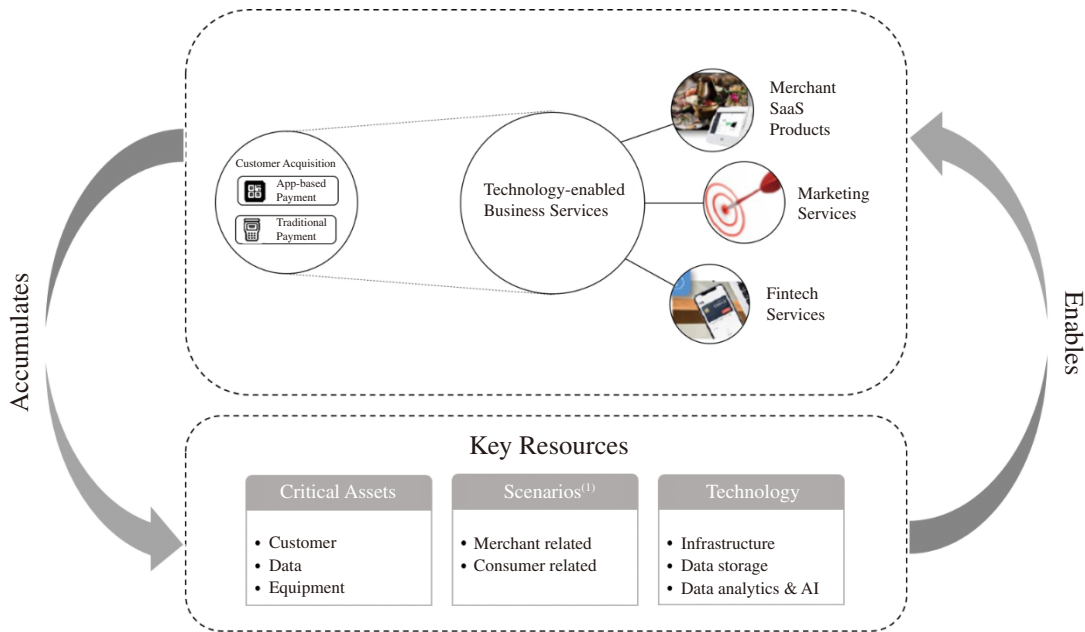
- (1) We define active payment service customers as merchants who use our services for an aggregated transaction amount of over RMB1,000 for the past 12 months.
- (2) Customer acquisition cost is calculated as selling expenses during the relevant year divided by the number of new activated customer during the same year.
- (3) Commission paid for newly acquired customers represents the commission paid to our distribution channels for the GPV generated by customers they acquired during the relevant year.
- (4) Commission rate for newly acquired customers, calculated as commission paid for newly acquired customers as a percentage of revenue from one-stop payment services.

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Our customer base grew rapidly during the Track Record Period. As of December 31, 2017, 2018 and 2019, the number of active payment service customers was 1.6 million, 3.8 million and 5.3 million, respectively, representing a CAGR of 80.3%. Launched in 2015, the number of our technology-enabled business service customers increased from approximately 4,000 as of December 31, 2017 to approximately 80,000 as of December 31, 2018, as a result of increasing conversion of our payment service customers. It further increased to approximately 431,000 as of December 31, 2019, driven by accelerated conversion. In 2019, through our payment services, we served over 367.8 million consumers, growing from 141.6 million consumers in 2018.

During the Track Record Period, our GPV and number of active payment service customers increased significantly, mainly due to continuous improvement of our payment service platform and optimized distribution channel management. Customer acquisition cost decreased as a result of the economy of scale resulted from enlarged customer base. Rapid growth in the number of our business service customers was mainly due to accelerated customer conversion and monetization from active payment service customers. The average fee rate decreased during the Track Record Period but has stabilized in 2019, as the fee rate has become largely market driven since September 2016. See “Regulatory Overview — Regulations on Payment Services of Non-financial Institutions — Pricing Mechanism of Bankcard Transaction Fee.”

Exploring Synergy within Our Ecosystem



Note:

- (1) Scenarios mean the sequence of events that lead to customers' use of our services. It is the combination of a variety of factors, including behaviors of and interactions among merchants and consumers that bring them to our service offerings.

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As the above diagram illustrates, leveraging our technology platform and our unique position as the nexus between merchants and consumers, we have built an ecosystem, which facilitates payment transactions between merchants and consumers, and creates a platform for the provision of technology-enabled business services. The participants comprise merchants, consumers, our financial institution partners and us. Among our two types of business, payment services generate most of our revenues during the Track Record Period while technology-enabled business services are expected to grow at a faster pace.

We are a pioneer among third-party payment service providers in offering value-added services to customers. Starting from payment, we accumulate three key resources to support our platform proposition. First, our long and stable business relationships with customers, developed through payment services, create scenarios where we could extend our services above and beyond payment. Second, the critical assets we capture through payment services, consisting of vast customer base, massive data assets accumulated, and customers' adoption of our intelligent payment devices, create opportunities for synergies and new products. Third, the continuously enhanced technology capabilities we accumulated from the provision of payment services foster the development of our innovative service offerings.

We consider payment as the fulcrum to leverage these key resources and tap into the broader markets. Acting as a gateway, payment services enable us to acquire customers at minimal incremental costs for our technology-enabled business services. A growing number of our payment service customers also use our business services, which further generate more insights and scenarios for upselling our services, leading to a virtuous cycle.

Below is a real-life illustration of how our ecosystem works:



1. A consumer goes to a coffee shop and pays for a cup of coffee with bank cards or e-wallets. The coffee shop owner accepts the consumer's payment using our payment services.
2. If the coffee shop owner chooses our app-based payment services to accept the payment, our business service offerings are made visible to both the coffee shop owner and the consumer through either the user interface of our mobile apps for merchants, or the post-payment interface of the consumer's e-wallets.

3. We then have the opportunity to interact with consumers via contents presented on the interface of these apps. For instance, we may present advertisements to them, or provide them with access to our other technology-enabled business services on the interface. We may push promotional messages, such as discount information of a convenience store on the post-payment interface. We may also distribute coupons to be used for the next consumption to the consumer. All these marketing efforts aim to encourage the consumer to turn to the convenience store for future purchases. The more transactions we process, the more data we collect. With our strong data analytics capabilities, we can effectively identify potential customers for our other business services.

We have been continuously accumulating transaction, operational and behavioral data from both merchants and consumers through the provision of payment services and business services. Through our big data analytics, we can also identify potential business opportunities not only for ourselves but also for our customers and keep improving our product offerings. Based on consumers' behavioral data from different scenarios, we analyze and derive detailed consumer profiles. We have the ability to correlate data obtained from various sources and gain insights for the development of customers' businesses, as well as ours. See “— Technology and IT Infrastructure — Big Data Analytics and Artificial Intelligence” and “— Data Privacy” for more details.

One-stop Payment Services

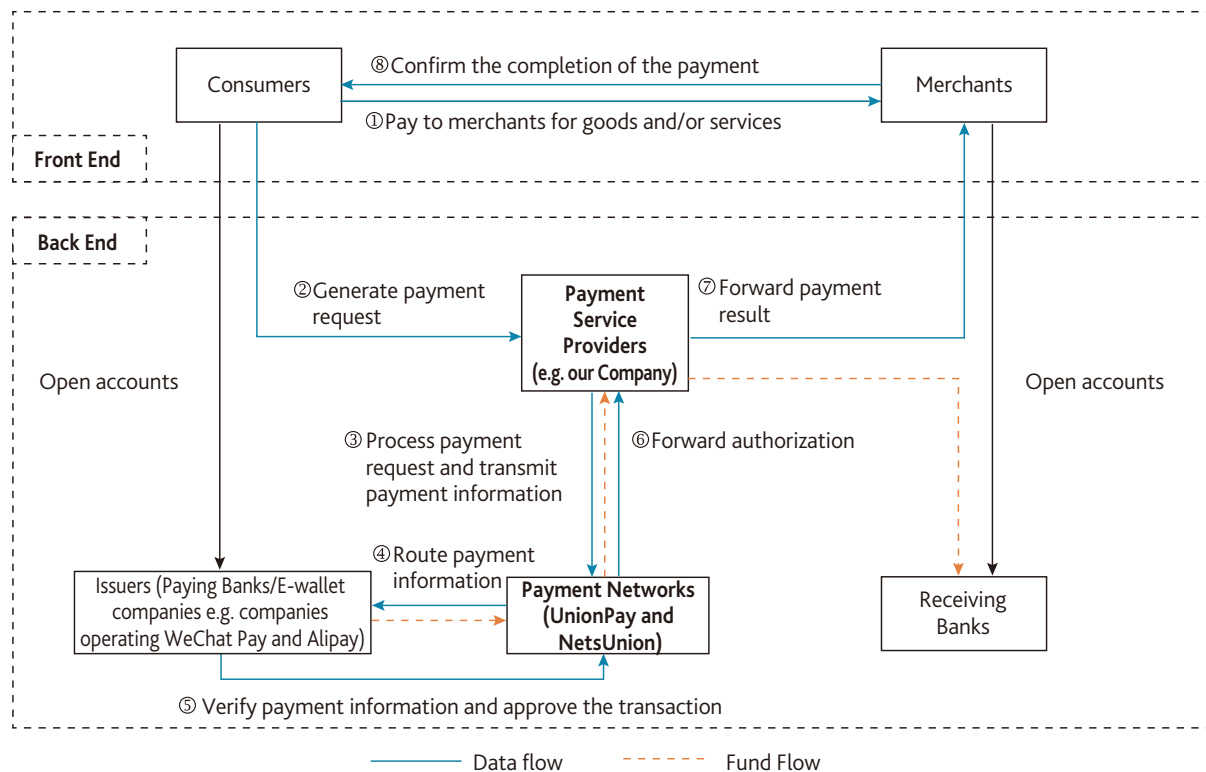
For the year ended December 31, 2017, 2018 and 2019, the GPV processed through our payment services amounted to approximately RMB232.8 billion, RMB778.9 billion, RMB1,500.3 billion, respectively. During the same periods, the gross profit generated from payment services was RMB113.4 million, RMB246.8 million and RMB530.0 million, respectively, representing 96.0%, 91.6% and 81.9% of our total gross profit. Our active payment service customers increased from approximately 1.6 million in 2017 to 3.8 million in 2018 and 5.3 million in 2019, respectively. In 2019, we served approximately 367.8 million consumers in our payment services, growing from approximately 141.6 million in 2018.

Our role in the third-party payment value chain

From the front end, non-cash transactions between merchants and consumers seem to be simple and direct as consumers pay for the goods and/or services while merchants accept consumers' payment and offer such goods and/or services. However, non-cash transactions are far more complicated when looking from the back end, and cannot be completed in the absence of the interactions among different parties involved. Payment service providers are mandatory for all non-cash payment transactions, and play a central role in collecting, processing and transmitting payment information to enable transactions. Payment service providers can be further categorized into (i) affiliated payment service providers, such as WeChat Pay and Alipay, which typically only accept payments made via their affiliated issuers and (ii) independent payment service providers, such as us, which typically have the ability to accept payments made via multiple issuers. We act as an independent payment service provider and play an essential role in the third-party payment value

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chain. The diagram below illustrates the payment process for our payment services and the role of each participant involved:



Note: We also pay commission to distribution channels, including our sales agents for promotion of our payment services. The commission rate typically ranges from 50% to 70% of our revenue received, subject to the prevalent policy.

Payment Process

1. The process starts when a consumer initiates a payment to a merchant to purchase goods and/or services that the merchant offers.
2. The consumer generates a payment request by (i) swiping, tapping or inserting his or her bank card on our payment terminal or (ii) scanning the QR code the merchant generated with our devices, or having merchants scan the consumer's mobile barcode with our devices.
3. We as payment service provider collect and process the consumer's payment request, and then transmit the payment information to payment networks.

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4. Payment networks then route the payment information to the issuers. UnionPay acts as both the bank card network and the online network for QR code payment in China, while NetsUnion acts as the online network for QR code payment business related to a bank account undertaken by non-bank payment institutions. Payment networks' responsibilities typically include connecting and switching transactions between payment service providers and issuers and enabling payment authorization. From each payment we process, a payment network interchange fee is directly deducted. See "— Our Business — One-stop Payment Services — Pricing."
5. The issuer verifies the payment information and sends a notification of approval for the transaction. Once the verification and approval of the payment are completed, the issuer will transfer the fund to payment networks. Issuers refer to (i) commercial banks that issue credit or debit cards to consumers and authorize payment transactions after conducting necessary checks on consumers' identity and compliance issues and (ii) e-wallet companies which provide consumers with e-wallets to which consumers' bank accounts and credit cards are linked. Typical e-wallet companies include Tencent (operating WeChat Pay) and Ant Financial (operating Alipay).
6. The payment network forwards the transaction feedback and transfers the fund to us for further settlement of the payment.
7. We then send the payment result to the merchant and settle the fund received from the payment network net of our service fee to the merchant's account in the receiving bank.
8. Finally, the merchant confirms receipt of the payment.

In providing payment services, we collect and process payment requests from various channels, transmit payment information to payment networks, and then deliver payment results to merchants. We are mainly responsible for signing acceptance agreements, authorizing requests, settling bills and other payment-related activities. We also conduct the necessary know-your-client, or KYC and other due diligence review of customers in order to assess and mitigate fraud risks based on the information we collect from customers. Depending on whether they need to be used in conjunction with a mobile app, our one-stop payment services are further divided into two categories, namely (i) app-based payment services, and (ii) traditional payment services. The following table sets forth revenue generated from our one-stop payment services by types of services provided during the Track Record Period:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
App-based payment services	145,034	48.4	536,094	55.4	1,557,677	74.9
Traditional payment services	154,445	51.6	431,894	44.6	523,374	25.1
Total	299,479	100.0	967,988	100.0	2,081,051	100.00

App-based payment services

We provide our app-based payment services to merchants when they accept payments from consumers through mobile apps or third-party e-wallets, by having consumers scan merchants' QR codes or having consumers' mobile barcodes scanned by merchants' devices. We are the second largest non-bank independent QR code payment service provider in China, with approximately 14.0% market share in terms of transaction count in 2019.

Our app-based payment services allow customers to easily and conveniently accept payments from multiple e-wallets, such as WeChat Pay, Alipay or Mobile QuickPass, improving transaction efficiency. With the assistance of the single code/single account feature of our app-based payment services, customers are able to receive payments via a unified channel, and are relieved from generating multiple QR codes or purchasing different payment terminals for various e-wallets. Processing the transactions centrally also facilitates record keeping and account management.

The small-amount-high-frequency nature of app-based payments can maximize our touchpoints with customers. As the payment process automatically makes our other service offerings visible to our merchant customers as well as consumers, app-based payment enables us to acquire customers at minimal incremental costs for our technology-enabled business services.

Traditional payment services

Besides app-based payment services, we also provide traditional payment services to our customers. Typically, we enable our customers to accept card payments through the UnionPay clearing network with traditional payment terminals.

Customer onboarding flow

First, merchant customers apply for opening accounts on our platform. After reviewing the application materials, we onboard our customers and connect them to payment networks. Once connected, customers can enjoy our safe and fast payment services when receiving payments from consumers. Each time a payment service customer accepts a payment from a consumer, we transfer the payment information, forward the payment results and settle the funds received from the issuer to the customer.

Contract terms

We enter into a standard contract with each customer for our payment services on a non-exclusive basis. The term of our agreements with payment service customers is normally one year, which automatically renews at the end of each term. Payment terminals are often provided to our customers for free. Each party may, without cause terminate the agreement at any time with 30 days' written notice to the other party. In particular, we are entitled to immediately terminate the payment service agreements if our customers, amongst others, commit frauds, make illegal or dishonest use of accounts and personal data, and fail to rectify certain material defects in their operations.

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Pricing

We receive service fees from customers, which typically equal to an agreed percentage of the GPV, net of the interchange fee for payment networks. On certain occasions, we also charge our customers a one-off service fee. The interchange fee refers to a fixed proportion, which is deducted directly for each payment we processed. Thus, our revenue is net of the interchange fee for payment networks. Since the introduction of a market-based service fee mechanism in 2016, the service fee rate for a third-party payment service provider like us is largely market-driven. We retain our service fee based on our agreements with customers and our service fee rate is typically determined by reference to the type of card used for payment, the nature of the customer's industry and the settlement mode.

Currently, the total fee charged on customer ends for each payment typically ranges from 0.38% to 0.72%, which comprises an interchange fee for payment network that typically ranges from 0.20% to 0.51%, with the remaining balance being our service fees. See "— Our Business — Key Operating Data" for details of our average fee rates for both our app-based payment services and traditional payment services during the Track Record Period.

Technology-enabled Business Services

Overview

Our payment service customers have needs for improving their operational efficiency and enhancing consumer experience. With the resources accumulated through our one-stop payment services, we have developed and offered a wide variety of technology-enabled business services, including merchant SaaS products, marketing services and fintech services for both our payment service customers and consumers. These business services are key to increased customer satisfaction and loyalty. For the year ended December 31, 2017 and 2018, we offered business services to approximately 4,000 and 80,000 customers, respectively, it further increased to 431,000 for the year ended December 31, 2019. Most of our business service customers are directly acquired from the conversion of our payment service customers. The following table sets forth our revenue generated from our technology-enabled business services by types of products or services provided during the Track Record Period:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Merchant SaaS products	1,105	21.2	1,858	7.5	14,991	8.5
Marketing services	536	10.3	2,537	10.2	109,225	61.7
Fintech services	3,568	68.5	20,508	82.3	52,752	29.8
Total	5,209	100.0	24,903	100.0	176,968	100.0

For the years ended December 31, 2017, 2018 and 2019, the gross profit generated from technology-enabled business services was RMB4.7 million, RMB22.7 million and RMB117.0 million, respectively, representing 4.0%, 8.4% and 18.1% of our total gross profit.

Merchant SaaS Products

We have integrated scenario-specific functionalities into our payment services supporting software to build various merchant SaaS products. Through our merchant SaaS products, we offer a variety of intelligent business solutions tailored to industry verticals. Our merchant SaaS products offer innovative and comprehensive functionalities including inventory management, customer relationship management, order management and employee management.

- *Real-time inventory management.* Such functionality provides an independent inventory management system, connecting merchants' headquarters with each store. By providing merchants with complete inventory management such as stock in, stock out, transfer, and inventory control, our system enables integrated inventory management.
- *Consumer relationship management.* The consumer relationship management tools provide merchants with a powerful and comprehensive system that collects customer data, and digitalizes and integrates management of member customers, which enables merchants to maximize the value of consumer resources.
- *Smart order management.* With this functionality, merchants in food and beverage industries can build up their own mobile ordering system. Merchants can set up the description and prices of their offerings in the back-end interface while consumers can place orders through mobile apps. The system helps ease the staffing pressure during peak hours, thereby improving merchants' operational efficiency.
- *All-rounded employee management.* This functionality provides merchants with an integrated centralized solution pertaining to various aspects of human resources management.

We started providing merchant SaaS products in 2015. For the years ended December 31, 2017, 2018 and 2019, revenue generated from our merchant SaaS products amounted to RMB1.1 million, RMB1.9 million and RMB15.0 million, respectively.

We focus on providing SaaS products to merchants in retail, wholesale, and food and beverage industries, leveraging massive data accumulated from our payment services. We plan to continuously develop and roll out more features for our SaaS products for merchants in these industries in light of the substantial unsatisfied demand for operational efficiency improvement in these markets.

Our merchant SaaS products

We have developed five major scenario-specific merchant SaaS products, namely Smart Shopkeeper (智掌櫃), Smart Sales (樂售), Smart Store (智慧店鋪), Haoshengyi (好生意), and SaaS Open Platform.

(a) Smart Shopkeeper

The Smart Shopkeeper is an integrated restaurant management solution comprising an intelligent ordering machine and customized restaurant management apps. With its smart ordering, smart financial statement, smart payment and smart marketing functionalities, it captures in-store management data and provide real-time business update to address different catering industry's needs.



Smart Shopkeeper also supports automated ordering and synchronizes order status from reputable delivery platforms. The tool also facilitates food delivery management, including multi-store management, data tracker and customer service interface.



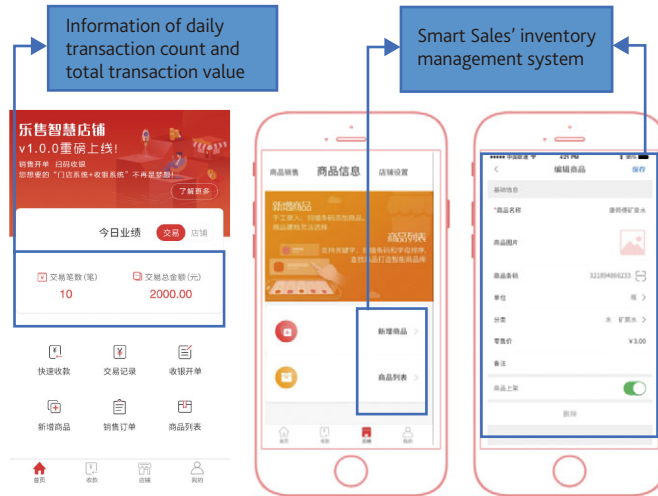
(b) Smart Sales

Our Smart Sales for the fashion industry was launched in 2014 and was initially a payment services device, which has been further developed into a one-stop operational platform for fashion retailers to manage procurement, inventory, financial reporting, marketing and payment transactions.

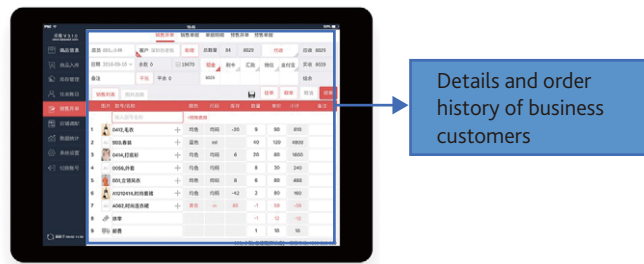
Smart Sales provides an integrated interface of transaction management for fashion merchants, giving them a holistic view to their business. For instance, the mobile assessible inventory management system allows fashion merchants to monitor real-time inventory levels of products. It also connects all storage locations, facilitating merchants to formulate the supply and procurement strategies on a timely basis. Smart Sales comes in two versions, tailored to the respective needs of retailers and wholesalers.

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Smart Sales for fashion retailers tracks the information of daily transactions at different branches. It helps retailers monitor the trends in sales and make timely adjustments to pricing and order placing strategies. This addresses the fast-moving nature of the fashion industry and satisfies the needs of retailers to quickly respond to the daily changes in customer demand.



Smart Sales for fashion wholesalers has a stronger emphasis on the management of business customers. It stores the particulars and order history of business customers and reduces manual input in the order placing process, offering business customers a frictionless sourcing experience.



For instance, it allows fashion wholesalers to evaluate the popularity of a certain product among different types of business customers, and adjust their marketing strategies accordingly. By providing fashion wholesalers easy access to information of their customers, Smart Sales allows them to monitor customer activities, analyze customers' purchasing behaviors, and effectively manage customer relationships.

(c) Smart Store

Our Smart Store product is a one-stop operational platform for store management. Used in conjunction with our payment services, it allows real-time management of sales, inventory, financial reporting and employees. Backed by our cloud computing technology, a merchant can remotely access the operational data, gaining holistic view of the business operation of branches from mobile devices.



Smart Store can be adopted by a wide range of businesses. For every transaction, it automatically generates invoice, records payment received and tracks inventory level. It digitalizes sales and inventory management to enhance operational efficiency. For instance, it automatically alerts merchants when restocking is required. It also allows merchant to create a profile for every staff, enabling them to use their mobile devices as QR code scanners to accept payments.

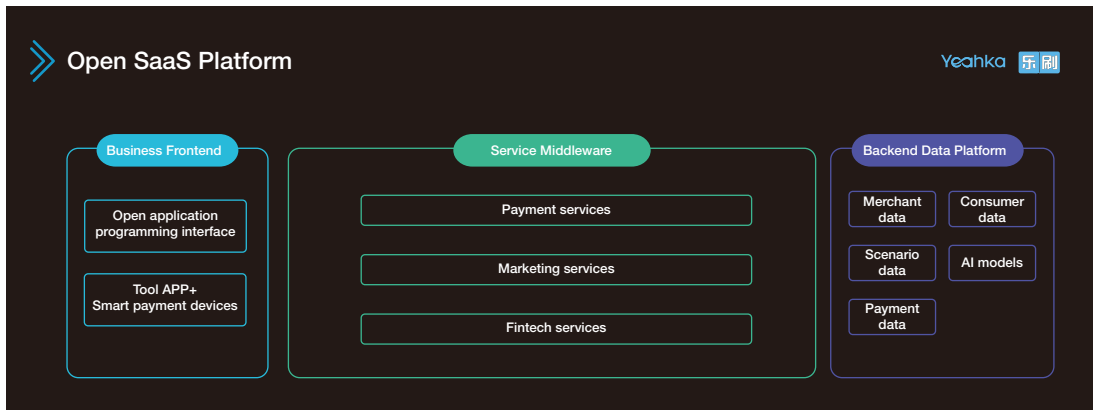
(d) Haoshengyi

Haoshengyi allows connection with various online and offline payment devices and channels. The platform is also able to generate transaction summaries, graphs and tables to provide merchants with a holistic view to their business. In addition, it enables merchants to utilize their transaction data for marketing programs.



It also allows merchants to grant virtual credits (red envelopes) in the application upon scanning and purchase, to encourage repeated consumption, and enhance customer loyalty. We plan to extend the functionalities of Haoshengyi to support consumer membership programs. Credits will be stored in consumers' e-membership cards. According to their credits, length of membership and other attributes, consumers will be classified into different categories. Different categories of consumer will be granted various promotional offers, based on their behavioral characteristics.

(e) SaaS Open Platform



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Apart from our scenario-specific products, we offer a toolkit of standardized components of our services on a SaaS Open Platform. The platform is opened to our SaaS partners. Currently, we open our payment services components on the platform. We plan to launch fintech services, marketing services and other value-added services components on the platform, such that the components could be assembled in a variety of ways to cater to a wide range of scenarios.

Specifically, these components will comprise (i) backend data platform, which allows SaaS partners access to our wealth of data assets; (ii) service middleware, where components of our services can be put together; and (iii) business frontend, where these components are integrated in an app-based user interface.

Pricing

We enter into service agreements with merchant SaaS product customers, which provide for terms including duration and payment methods. We typically charge a subscription fee for the use of our software.

Marketing Services

We have built a payment-based advertising platform on which we offer various marketing and promotional tools for our customers to attract, engage and interact with consumers. Connecting both merchants and consumers, we could make use of the insights derived from payment services to develop marketing services.

Our advertising platform comprises mainly the user interface of our mobile apps for merchants, and the post-payment interface of the consumer's e-wallets. We have also developed demand side platforms (DSP) and supply side platforms (SSP) for advertisement placement exchange, which bridge content publishers and advertisers to facilitate exchange of advertisement spaces. It effectively directs marketing efforts towards target markets. Marketing services which we provide on our payment-based advertising platform primarily include:

- *Tailor-made precision marketing.* Leveraging our technology, especially our data analytics ability, we analyze behaviors of consumers using our payment service and explore their consumption habits and preferences. It enables us to design personalized precision marketing solutions for merchants, which intelligently place advertisements in such space, at such time, and to such audience in a manner that they are most likely to be converted; and
- *Customer loyalty program e-tools.* We help different merchants build loyalty program e-tools (through membership registration and transaction records) to understand consumer behaviors better and to use the insights for business decision making. We also offer promotional tools such as spending credit and rewards program to increase consumer engagement.

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After the completion of the acquisition of Tuozhanbao Finance on June 25, 2019, we also started to offer off-line marketing services to merchant service providers, allowing them to reach their target markets.

Our marketing services were launched in 2015. For the years ended December 31, 2017, 2018 and 2019, they generated revenue of RMB0.5 million, RMB2.5 million and RMB109.2 million, respectively. For the years ended December 31, 2017, 2018 and 2019, we had over 5, 30 and 100 marketing service customers, respectively. The average revenue per customer for our marketing services amounted to RMB76,600, RMB81,800 and RMB1.1 million, respectively for the years ended December 31, 2017, 2018 and 2019. During the Track Record Period, we experienced rapid growth in our marketing service business, and were in the course of optimizing our customer portfolio. For the years ended December 31, 2017, 2018 and 2019, the churn rate, calculated as the number of attrited marketing service customers over a particular year divided by the number of marketing service customers as of the end of the preceding year, amounted to nil, 28.6% and 51.6%, respectively.

For the years ended December 31, 2017, 2018 and 2019, revenue contribution of our five largest marketing service customers accounted for 66.3%, 39.4% and 90.3% of our marketing service revenue, respectively. For details of our marketing service customer concentration risks, see “Risk Factors — Risks Relating to Our Business and Industry — Revenue contributed by our five largest marketing service customers accounted for a substantial portion of our marketing service revenue. Failure to retain business relationship or secure new business with them may adversely affect our results of operations and financial condition.”

Pricing

We charge for our online marketing services using different pricing models, primarily CPM, CPT, CPI, CPA and CPC or combinations of these models. The relevant fees typically range from RMB13 to RMB40 per thousand impressions. We charge a commission for our off-line marketing services.

Fintech Services

With understanding of the needs of merchants and consumers who use our payment services, we developed our fintech services. Our fintech services were launched in 2015. For the years ended December 31, 2017, 2018 and 2019, revenue generated from our fintech services amounted to RMB3.6 million, RMB20.5 million and RMB52.8 million, respectively.

Loan facilitation services

We have commenced providing loan facilitation services since September 2019. We facilitate small-sized retail loans to customers, which are offered by our loan facilitation partners on our technology platform, and from whom we receive service fees. As confirmed by our PRC Legal Advisors, the PRC regulatory framework only imposes licensing requirements on the lenders, and there is no licensing requirement for providing loan facilitation services in China. See “Regulatory Overview — Regulations on Micro-credit Business” for details of the applicable laws and regulations. Our loan facilitation partners, being the lenders, are required to possess the necessary licenses for the granting of loans pursuant to the applicable PRC laws and regulations. As of the Latest Practicable Date, all our loan facilitation partners possess all such necessary licenses for the granting of facilitated loans.

We provide an automated online application process that aims to provide a simple, seamless and efficient experience to customers. We use data generated from our payment services to assess the creditworthiness of loan applicants and refer suitable applicants to our loan facilitation partners. See “— Risk Management and Internal Control — Business Risks — Credit Assessment.” Currently, we provide guarantees in offering loan facilitation services for loans granted by two of our five loan facilitation partners. As of December 31, 2019, such guarantees amounted to RMB7.2 million. In the future, we expect facilitated loans to become increasingly prevalent on our technology platform. We will strategically focus on providing loan facilitation services that do not require our guarantee.

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According to our agreements with these loan facilitation partners, we provide a platform on which they can offer their loan products. We are also responsible for collecting information from loan applicants, making recommendations based on analytics results and forwarding the relevant information to our loan facilitation partners for their final decision. Upon approving a loan application, our loan facilitation partners directly enter into a loan agreement with, and transfer the proceeds to the borrower. We assist our loan facilitation partners with repayment administration including sending payment reminders and engaging outsourced collection specialists to collect overdue sums. We also enter into separate agreements with loan applicants, pursuant to which they agree to the terms of our services and consent to the use of their personal data. In respect of facilitated loans for which we do not provide guarantee, losses from default of borrowers is born by our loan facilitation partners. For those that we provide guarantee for, such loss is born by us. See "Risk Factors — Risks Relating to Our Business and Industry — Our fintech services are subject to risks relating to credit assessment and general macroeconomic conditions. Our current risk management system may not be able to exhaustively assess or mitigate all risks to which we are exposed." Our loan facilitation partners are entitled to the interest income from such loans. We charge each of our loan facilitation partners a service fee as a percentage of the interest income from facilitated loans. If a party does not properly perform its obligations under the agreement, the other party is entitled to termination of the agreement and compensation to losses caused as a result. See "— Suppliers and Our Cooperation With Financial Institutions — Financial Institutions — Loan Facilitation Partners" for salient terms of our agreements with these loan facilitation partners.

Up to March 31, 2020, we have facilitated over 2,660 loan applications, with an aggregate amount of over RMB14.9 million. As of March 31, 2020, each loan is capped at RMB100,000 and the largest loan facilitated is about RMB85,500, with an average size of approximately RMB5,600. Loan products provided by loan facilitation partners on our platform have terms that range from three to 24 months, with a weighted average tenor of 8.2 months. Annual interest rates of facilitated loans range from 20.1% to 36.0%.

As of March 31, 2020, 285 out of the over 2,660 facilitated loans with an aggregated amount of RMB1.1 million were overdue. During the Track Record Period and up to the Latest Practicable Date, there was no roll-over of overdue facilitated loan.

Entrusted loan

We partner with banks and trust companies in China, who on-lend our deposited funds to offer entrusted loans. Entrusted loans are offered on the same platform as facilitated loans, with the same application process and channel for proceeds transfer. On receiving a loan application, we will decide whether to refer it for facilitated loans or to extend entrusted loans. See " — Risk Management and Internal Control — Business Risks — Credit Assessment." For entrusted loans, we charge borrowers financing service fees which consist of loan interests based on the loan volume and duration. Our experience in providing entrusted loans have been essential for the development of our risk management capabilities and collaboration with financial institutions.

According to our agreements with these entrusted loan partners, they hold our funds, and grant loans to applicants per our instructions. When a loan application is approved by us, we will enter into a loan agreement with the borrower and our entrusted loan partner. We are entitled to interest income from the entrusted loans. We pay our entrusted loan partner a service fee as a percentage of the amount of loan granted. We are responsible for repayment administration including sending repayment reminders, engaging outsourced collection specialists to collect overdue sums, and taking legal actions against the default customer when necessary. We are therefore exposed to the risks of

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any loss incurred as a result of such default. If a party does not properly perform its obligations under the agreement, the other party is entitled to termination of the agreement and compensation to losses caused as a result. See "Risk Factors — Risks Relating to Our Business and Industry — Our fintech services are subject to risks relating to credit assessment and general macroeconomic conditions. Our current risk management system may not be able to exhaustively assess or mitigate all risks to which we are exposed." See "— Suppliers and Our Cooperation With Financial Institutions — Financial Institutions — Entrusted Loan Partners" for salient terms of our agreements with these entrusted loan partners.

As of the Latest Practicable Date, we had also provided other entrusted loan products through cooperation with one trust company. See "— Suppliers and Our Cooperation with Financial Institutions — Financial Institutions — Entrusted Loan Partners."

As of March 31, 2020, we have outstanding entrusted loan balances of RMB124.6 million. As of the same date, each loan is capped at RMB50,000 and the largest entrusted loan is about RMB50,000, with an average size of approximately RMB4,100. Our entrusted loans have terms that range from three to 12 months, with a weighted average tenor of 8.3 months. Annual interest rates of our entrusted loans range from 24.0% to 36.0%.

We use 90+ days past due, a common industry standard to measure delinquencies. Our 90+ days past due loan receivables amounted to RMB0.3 million, RMB1.1 million, and RMB5.3 million, representing 7.0%, 3.7%, and 2.2% of loan receivables as of December 31, 2017, 2018 and 2019, respectively. See "Financial Information — Selected Items from Consolidated Statements of Financial Position — Current Assets and Liabilities — Prepayments and other receivables." During the Track Record Period and up to the Latest Practicable Date, there was no roll-over of overdue entrusted loan.

Insurance referral services







We entered into cooperation agreements with a number of insurance companies pursuant to which our payment service customers could, at no additional cost, opt to benefit from insurance products we purchased from these insurance companies. The products include a fund security insurance for merchants which covers (i) the insured's fund losses due to bank card fraud and (ii) the insured's interest losses due to delay in account receivable payments resulting from any system error of the payment institution of over 24 or 48 hours, after the payment is settled. The cooperation agreements will typically be automatically renewed for one year upon expiration. We receive technology service income from the insurance companies based on insurance premium.

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Access to Our Services

Mobile Apps or Platforms

Based on customers' needs, we design and offer mobile apps or platforms which combine one or more of our services.

Mobile apps or platforms	Description	Year of launch	Functionality
One-stop payment services			
1. Leshua (樂刷商務版). 	<ul style="list-style-type: none"> Provide payment services and additional value-added services to merchants 	2013	<ul style="list-style-type: none"> Enable card and non-card payment acceptance on smart phone
2. Shoukuanbao (收款寶) 	<ul style="list-style-type: none"> Provide payment services and additional value-added services to merchants 	2018	<ul style="list-style-type: none"> Enable card and non-card payment acceptance on smart phone
3. Shuabao (刷寶) 	<ul style="list-style-type: none"> Help micro and small merchants receive offline payments 	2017	<ul style="list-style-type: none"> Enable mobile payment acceptance
4. Happy Pay (快樂Pay) 	<ul style="list-style-type: none"> Enable offline payment 	2018	<ul style="list-style-type: none"> Used with payment terminals for card and non-card payment acceptance
5. Shouyintong (收銀通) 	<ul style="list-style-type: none"> Enable merchants to receive QR code payment 	2018	<ul style="list-style-type: none"> Support QR code payment acceptance from major e-wallets Facilitate store management
Technology-enabled business services			
6. Smart Shopkeeper (智掌櫃) 	<ul style="list-style-type: none"> An integrated management solution for restaurants 	2015	<ul style="list-style-type: none"> Order management, account management

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Mobile apps or platforms		Description	Year of launch	Functionality
7. Smart Sales (樂售)		<ul style="list-style-type: none"> A one-stop operational platform for fashion merchants 	2014	<ul style="list-style-type: none"> Inventory management, account management and operational results analysis
8. Smart Store (智慧店舖) . . .		<ul style="list-style-type: none"> A one-stop operational platform for store management 	2019	<ul style="list-style-type: none"> Real-time management of the sales, inventory, financial reporting and employees
9. Haoshengyi (好生意)		<ul style="list-style-type: none"> A supporting software for our payment services connecting with various online and offline payment devices and channels 	2019	<ul style="list-style-type: none"> Generating transaction summary; providing marketing e-tools; and membership management
10. SaaS Open Platform	–	<ul style="list-style-type: none"> A toolkit platform for SaaS partners to build tailored SaaS products 	2017	<ul style="list-style-type: none"> Standardized components of our service offerings available for use in a wide range of combinations
11. Lejie (樂借)		<ul style="list-style-type: none"> An entrance to our loan services 	2018	<ul style="list-style-type: none"> Enable online one-stop loan application

OUR CUSTOMERS

Leveraging our technology platform, we connect merchants and consumers in a diverse set of industries including retail, wholesale, and food and beverage industry. We consider both merchants and consumers essential components of our customer base. Typically, customers for our payment services and merchant SaaS products comprise merchants; customers for our marketing services and fintech services comprise merchants, consumers, financial institutions and merchant service providers. We primarily serve micro and small merchants from a wide range of industries across China. Our payment service customer base grew rapidly during the Track Record Period. As of December 31, 2017, 2018 and 2019, the number of active payment service customers was 1.6 million, 3.8 million and 5.3 million, respectively, representing a CAGR of 80.3%. As of December 31, 2019, we had approximately 11.0 million registered payment service customers. They represent businesses in a diverse set of industries, including retail, wholesale, and food and beverage. We believe the diversity of our merchant customers underscores the accessibility of our offerings. As a result, we are able to reach consumers through numerous payment scenarios and further provide to them services beyond payment. As we experienced significant growth in terms of both revenue and customer base during the Track Record Period, for the year ended December 31, 2017, 2018 and 2019, recurring customers, being customers who have used any of our services in the preceding year contributed to 33.9%, 40.0% and 32.4% of our total revenue, respectively.

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Our five largest customers together accounted for less than 5.0% of our total revenue for each of the years ended December 31, 2017, 2018, and 2019. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (which to the knowledge of the Directors, owns more than 5% of the number of issued shares of the Company) had any interest in any of our five largest customers.

Customer Onboarding

We are solely responsible for conducting due diligence to assess the quality and risk of the customers we acquire, with the help of our distribution channels. We undergo standardized customer onboarding procedures in accordance to the Measures on Bankcard Acquiring, and rules of the payment networks. As of the Latest Practicable Date, all of our merchant customers possess the business licenses as required by the Measures on Bankcard Acquiring and rules of the payment networks. Our process to bring customers onboard includes the following steps.

- *Merchant assessment.* Sales agents, sales partners and our direct sales force are mainly responsible for sourcing new merchants. They identify and select prospective merchants usually by conducting an on-site inspection to evaluate the merchant's operations, financial condition and credit standing.
- *Collecting application materials.* Our customers need to submit application materials on our platform. We collect customers' application materials and information according to our internal checklist. For instance, we collect copies of their business licenses, valid identification documents of legal representatives or the persons-in-charge, bank account opening certificates, pictures of their business premises and other relevant certification documents.
- *Customer approval.* We adopt a stringent approach and implement internal know-your-customer procedures, including (i) verifying the accuracy of information in application materials; (ii) checking the customer against our internal and industry blacklists; (iii) conducting necessary inspections to verify the authenticity of application materials; and (iv) determining the customer's risk rating according to our internal policies and relevant regulations to adopt corresponding risk management measures.

Customer Services

We have established a customer service team which consists of almost 30 experienced staff specialized in handling customer relationships as of the Latest Practicable Date. Customers can reach our customer service team through emails, hotlines, apps, our social media accounts and our website. Our customer services are also supported by our chatting robot, which is able to analyze customers' questions and provide relevant and useful responses through artificial intelligence technologies.

Each customer request, enquiry or complaint is recorded and assigned a specific case reference. Each of our customer service personnel is responsible for the cases assigned to him or her and will follow up until the case is closed or resolved to our customer's satisfaction. Our policy requires that customer complaints be responded to within 8 working hours, and the relevant issues be addressed within three business days. During the Track Record Period, we did not receive any material complaint from our customers.

SALES AND MARKETING

We promote our business through (i) external distribution channels (which consist of independent sales agents and SaaS partners), (ii) sales partners, and (iii) direct marketing. Our external distribution channels and sales partners are enterprises which have sales personnel to reach micro and small merchants. Currently, our business covers most of the provinces and municipalities in China.

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For the years ended December 31, 2017, 2018 and 2019, our selling expenses amounted to RMB53.6 million, RMB66.6 million, and RMB66.9 million, respectively, representing 17.6%, 6.7%, and 3.0% of our total revenue. The decrease in selling expenses as a percentage of total revenue was primarily resulting from the transformation of our marketing strategy as we cooperated more with distribution channels and less with online media publishers. Accordingly, for the years ended December 31, 2017, 2018 and 2019, commission paid to our distribution channels for GPV generated by customers they acquired during the relevant year amounted to RMB115.0 million, RMB404.7 million and RMB514.0 million, respectively.

The table below sets forth the revenue contribution from each of our distribution channels during the Track Record Period:

	For the year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
External distribution channels	220,440	839,986	1,830,312
Sales partners	102	17,648	143,717
Direct marketing	78,936	110,354	107,022
Total	299,478	967,988	2,081,051

External Distribution Channels

External distribution channels consist of independent sales agents and SaaS partners. Revenue from customers acquired through external distribution channels accounted for 73.6%, 86.8%, and 88.0% of our revenue from one-stop payment services for the year ended December 31, 2017, 2018 and 2019, respectively.

Independent Sales Agents

Sales agents are independent service providers who help us reach millions of micro and small merchants across China. We consider it an industry norm to promote sales of payment services through sales agents, which effectively help us reach a wide range of targeted customers. As of the Latest Practicable Date, our sales agent network consisted of over 8,000 sales agents, covering 30 provinces and municipalities and over 300 cities in China.

Merchants acquired through our independent sales agent network represents a significant portion of our customer base. As of December 31, 2019, over 85% of our active payment customers were acquired through independent sales agents. To focus on developing our core business, we have increased the use of our independent sales agents to expand our customer base during the Track Record Period. The number of our sales agents increased significantly during the Track Record Period from over 1,000 as of December 31, 2017 to over 8,000 as of December 31, 2019, primarily due to (i) the transformation of our marketing strategies, and (ii) the increase in brand awareness as a result of our business expansion. We believe we have maintained good relationships with our sales agents.

For the year ended December 31, 2017, 2018 and 2019, revenue contribution of customers acquired by our five largest independent sales agents accounted for 17.4%, 9.0% and 6.3% of our one-stop payment service revenue, while that of our largest independent sales agent accounted for 10.0%, 3.0% and 1.9% of our one-stop payment service revenue for same period. During the Track Record Period, commission rate paid to our distribution channels, calculated as commission as a percentage of revenue from one-stop payment services ranged from 54.7% to 69.1%. We exclude a sales agent from our fleet if, during a period of 12 months, no transaction has been conducted by

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customers that such sales agent acquired. As of December 31, 2017, 2018 and 2019, the churn rate for sales agents was 6.6%, 9.6% and 6.0%, respectively. Churn rate as of a specific date is calculated by dividing the number of sales agents with whom we terminated cooperation during the preceding 12 months by the total number of sales agents at the beginning of such 12 months. During the Track Record Period, we terminated cooperation with over 370 sales agents.

We consider various factors when selecting sales agents, including their reputation, experience and track records in payment services industry, and qualifications. Our sales agents have diverse backgrounds. Other than the promotion of payment services, some of them also engage in other lines of business, including fast-moving consumer goods promotion, communication electronics and logistics. They are SAIC approved enterprises, with networks of sales personnel that can reach small and micro merchants. Our sales agents typically have over three years of experience in the promotion of payment services.

We enter into service agreements with sales agents after they are approved through our internal procedures. According to the service agreements, sales agents are mainly responsible for customer development and training and maintenance of our payment terminals in designated geographic areas as listed in their service agreements. We pay our sales agents commissions based on the transaction volume generated. The term of our service agreements with sales agents is typically one year and will be automatically extended for another one year upon expiration. We from time to time evaluate our sales agents' performance and assess risks related to sales agents in accordance with relevant laws and regulations and industry practices. We may terminate the agreement with and seek remedies against the sales agent if the sales agent engages in activities, including but not limited to, (i) utilizing our platform for cash out, money laundering, gambling, pyramid sale or any illegal purpose, (ii) any misconduct by the sales agent or any of its employees resulting in any leakage, manipulation or destruction of merchants' account information or transaction data, and (iii) assisting unregistered merchants to falsely use accounts of registered merchants on our platform. Sales agents are required to protect confidential information of our customers. There is no non-competition nor exclusivity provision in our agreements with them. Upon termination of an agreement, we are released from the obligations thereunder, and among others, are not required to pay commission for GPV generated by customers that such agent acquired. As we enter into separate agreements with merchant customers, termination of agreements with sales agents do not affect our relationship with customers that such agents acquired.

Independent SaaS Partners

We also enter into cooperation agreements with independent SaaS partners, which are software companies that offer merchant SaaS products to merchants. We cooperate with them by incorporating our payment services into their SaaS products that are complementary to ours. We also allow our independent SaaS partners access to our SaaS Open Platform, on which they can utilize a toolkit of standardized components of our services to develop scenarios specific products. See "— Our Business — Technology-enabled Business Services — Merchant SaaS Products — Our Merchant SaaS Products — (e) SaaS Open Platform."

The key terms of the agreements we entered into with our independent SaaS partners are similar to our agreements with sales agents regarding each party's obligations and rights, sales targets and indemnification. As of the Latest Practicable Date, we had over 500 independent SaaS partners.

Sales Partners

We also partner with several sales organizations, in which we hold minority interests. Similar to sales agents, these sales partners promote our one-stop payment services and technology-enabled business services through their distribution networks to potential customers. Currently, we have three sales partners, namely Shenzhen Chaomeng, Shenzhen Xunxiang and Fushi.

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We strategically select these sales partners due to their strong promotional capabilities and extensive distribution networks in our targeted group of customers. Each of our sales partners has differentiated strengths and promotional resources: (i) Shenzhen Chaomeng, in which we hold a 10% interest, is a company that focuses on the acquisition of offline merchants. It has a large fleet of sales force with over 400 staff and outstanding nation-wide promotional capabilities. It also offers other services including marketing services and sale of payment terminals; (ii) Shenzhen Xunxiang, in which we hold a 10% interest, is an internet company that focuses on helping merchants to reach consumers on mobile networks. Its food delivery ordering system is complementary to our restaurant SaaS products; and (iii) Fushi, in which we hold a 45% interest, is also a sales organization that focuses on the acquisition of offline merchants. It has an extensive network with over 200 sales personnel and outstanding nation-wide promotional capabilities. In December 2019, to further support the development of Fushi, we and RYK Capital Partners Limited, an associate of our Group, agreed to make capital contributions into Fushi in 2020, and the formal agreement was entered into in April 2020. See “Financial Information — Selected Items from Consolidated Statements of Financial Position — Non-current Assets — Investments accounted for using the equity method — Fushi.” Other than the above, none of our Shareholders, Directors or their respective close associates own any interests in these sales partners.

The key terms of the agreements we entered into with our sales partners are similar to those with sales agents regarding each party’s obligations and rights, and sales targets. According to our agreements with them, we are our sales partners’ preferred payment service provider. Where we offer the same terms, including commissions and other conditions as other payment service providers, our sales partners are required to promote our payment services on an exclusive basis. Currently, our sales partners do not promote payment services of other service providers. Our sales partners are also required to protect confidential information of our customers. There is no non-competition provision in our agreements with them.

We consider customer base a key resource for our future business growth. It can generate long-term recurring revenue from one-stop payment services, and can be further monetized by converting into customers of our technology-enabled business services. As part of our phased efforts to increase customer base and thus increase our market share and accelerate the expansion of our technology-enabled business services, we provide larger incentives to distribution channels that contribute larger aggregate GPV from payment service customers acquired. Based on the estimated GPV that a distribution channel can acquire, we decide the level of commission rate. Such sales targets are specified in our agreements with them. As a result, our sales partners, with outstanding promotion capabilities tend to be paid a higher rate of commission. Further, with their respective strengths, including extended market reach, expertise in specific industries, we also believe these sales partners are well-positioned to cross-sell our business services to payment customers.

For the year ended December 31, 2017, 2018, and 2019, revenue from customers acquired through sales partners totaled RMB102,000, RMB17.6 million and RMB143.7 million, respectively, accounted for 0.0%, 1.8%, and 6.9% of our revenue from one-stop payment services. Commission paid to sales partners totaled RMB63,000, RMB17.4 million and RMB140.0 million, respectively during the same period, representing a commission rate of 61.7%, 98.3% and 97.4% respectively as compared to the overall commission rate of 54.7%, 65.6% and 69.1%, calculated as the overall commission as a percentage of revenue from one-stop payment services. The comparatively higher commission rate paid to our sales partners reflects their outstanding capability in promoting our payment services and cross-selling our business services. For example, for the year ended December 31, 2019, Shenzhen Chaomeng was our second largest distribution channel in terms of aggregate GPV from customer acquired. We believe our commission policy motivated our distribution channels to acquire large customer base and cross-sell to them our business services during the Track Record Period.

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Despite the relatively higher commission rate paid to our sales partners during the Track Record Period, we were able to maintain a positive operating margin from services provided to customers acquired through them. According to our agreements with these sales partners, we may adjust the commission policy from time to time. Going forward, we may adjust the commission rate based on factors including the prevalent market conditions and the achievement of our phrasal business targets. Further, according to our agreements with these sales partners, we may terminate our cooperation if they fail to fulfill their obligations, including failure to meet sales targets that we set. Therefore, we may terminate our cooperation with these sales partners if it ceases to be profitable, and the risks to us are minimal. On the basis that the cooperation will be profit-making, we will continue to selectively pursue strategic alliances with and investment in sales partners with our own funds or proceeds from the Global Offering. See “Future Plans and Use of Proceeds — Use of Proceeds.”

We expect that payment revenue from customers acquired by sales partners will not exceed 15% of our total revenue from payment services for at least the next three years, since (i) we emphasize on maintaining diversified distribution channels and using independent sales agents as the major distribution channels for our GPV growth and customer acquisition, (ii) our significant influence over sales partners provide us with strong bargaining power in determining the terms of cooperation with them, including pricing adjustment and termination of cooperation where necessary, and (iii) we focus more on cross-selling technology-enabled business service for sales partners in our next phase of growth.

As we have over 8,000 members in our diversified distribution channels, we can adjust and optimize our channel mix according to the business performance of our distribution channels, prevalent market conditions and our overall growth strategy.

We acquire our sales agents, SaaS partners and sales partners primarily by open recruitment, referral, and actively approaching suitable ones in the market. These sales agents, SaaS partners and sales partners are mainly responsible for referring customers to us as well as serving, maintaining and training customers they developed. They are not involved in our core business operations, such as customer access evaluation, transactions, and funds settlement.

We have policies and procedures in place to maintain the performance standards and ensure compliance by our sales agents, SaaS partners and sales partners. We also specify certain internal control requirements, including business risks and brand management for our agents and partners. We have an experienced team that monitors the performance of these agents and partners. According to the cooperation agreements we entered with our agents and partners, we have the right to suspend the settlement of their service fees or deduct their deposits paid if they violate our regulations or policies. In the case of a serious breach, we may terminate the cooperation and take necessary legal actions if the services fees and deposits are insufficient to recover our loss. The above measures reduce the possibilities for our agents and partners to take kickbacks and bribes from customers. See “— Risk Management and Internal Control — Business Risks” for measures we have taken to minimize other risks in our operations.

Direct Marketing

Our in-house marketing department is responsible for coordinating our direct marketing efforts. To promote our sales, we continue to implement several marketing strategies to directly acquire merchants. These strategies include placing online advertisements with selected high-traffic social media platforms, high-traffic search engines and launch referral programs. Revenue from customers acquired through our own direct marketing accounted for 26.4%, 11.4%, and 5.1% of our revenue from one-stop payment services for the year ended December 31, 2017, 2018, and 2019, respectively.

SUPPLIERS AND OUR COOPERATION WITH FINANCIAL INSTITUTIONS

Our suppliers and business partners include (i) payment terminal manufacturers, which supply us with payment terminals and accessories, (ii) UnionPay and NetsUnion, which primarily provide us with clearing and switch services and access to payment gateways, as well as (iii) financial institutions which primarily provide us with access to their payment gateways and collaborate with us to provide fintech services.

Our five largest suppliers accounted for 25.0%, 17.5% and 19.4% of our total cost of sales for the year ended December 31, 2017, 2018, and 2019, respectively. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (which to the knowledge of the Directors, owned more than 5% of the number of issued shares of the Company) had any interest in any of our five largest suppliers.

Payment Terminal Suppliers

We deploy payment terminals and accessories to merchants. We purchase these payment terminals from suppliers. We maintain and regularly update a list of qualified suppliers. In order to be listed on our list of qualified manufacturers, manufacturers are evaluated based on a number of factors, including UnionPay certification, product quality, price, market reputation, after-sales services, and payment terms. We select suppliers from this list through bidding process.

Since 2018, we have sourced our supplies via wholesalers. Procuring supplies for multiple companies, these wholesalers are benefited from economy of scale, and are generally able to secure better payment and credit terms from our designated manufacturers. One of our wholesalers' supervisor is an ex-employee of our Group.

We typically enter into framework agreements with key suppliers, setting forth, among other things, specifications, pricing, delivery schedules, payment terms, and after-sales services. There is no minimum purchase obligation. The agreements specify the range of price, based on which the actual price for each order is determined, taking into account factors including the type and amount of payment terminals supplied. Credit terms typically range from three to six months. After-sales services typically include warranty terms ranging from 12 to 15 months. The framework agreements typically grant us the right to compensation for losses caused by, among others, (i) products failing to meet technical specifications or safety standards, (ii) product defects, (iii) terminal tampering, hacking or other security breaches. The framework agreements typically have a term of one year, and may be terminated upon one month's written notice if either party fails to perform its obligations.

Typically, we only place order for payment terminals upon receiving a request from distribution channels. We believe that we have maintained a good relationship with the payment terminal suppliers, and that we are not dependent on any particular manufacturer for the supply of our payment terminals, and are capable of finding alternative manufacturers.

Payment Networks

UnionPay

UnionPay is the only bank card clearing house and bank card association in China. It operates an inter-bank transaction settlement system. It allows the connection and switch between banking systems, and the inter-bank, cross-region usage of bank cards issued by its associate banks. We have established strong relationships with UnionPay. In September 2014, we became a UnionPay member for payment services.

According to the network access agreement, UnionPay provides clearing services for our payment services through its network. For each transaction it processes, UnionPay charges an interchange fee of not more than the higher of 0.0325% of transaction value or RMB3.25, which is determined by the PBOC and NDRC. See “— Our Business — One-stop Payment Services — Pricing.” UnionPay also provides us with services to support our same-day settlement services to our customers for an extra fee. UnionPay is entitled to request for a deposit, based on our credit rating and clearing status.

The network access agreement requires us to comply with UnionPay’s business rules. UnionPay is entitled to monitor and inspect various aspects of our business operations, including risk management, accounts information and data security. If we fail to meet its standard, or to address the deficiencies or potential risks within a specified period, UnionPay is entitled to suspend its services or revoke our membership. We are also required by the agreement to comply with UnionPay’s standards for developing, verifying and managing merchants for our payment services. We are obliged to indemnify UnionPay and its members against losses caused by us, fraud conducted by merchants we developed and fictitious transactions we process. During the Track Record Period, no such loss was incurred.

The agreement has a term of four years, and automatically renews for another three years, absent of any objection from either party. It will be automatically terminated if we cease to be a registered member of third-party payment service provider of UnionPay. UnionPay is also entitled to unilaterally terminate the agreement upon written notice, if: (i) we fail to process all UnionPay bank card transactions via its system without obtaining its prior written consent, infringe UnionPay’s trademarks, or are in material breach of the agreement, (ii) our actions are detrimental to UnionPay’s brand and reputation, or (iii) we are incapable of performing our obligations as a result of the commencement of winding-up proceedings.

Overlapping customer and supplier

UnionPay also uses our marketing services for the promotion of Mobile Quickpass. For the year ended December 31, 2017, 2018, and 2019, revenue generated from UnionPay amounted to RMB0.1 million, RMB0.7 million and RMB2.8 million, respectively. We incur minimal incremental costs in providing these marketing services.

NetsUnion

NetsUnion is a clearing platform for internet and other network payments in China. After June 30, 2018, third-party payment service providers are required to channel internet payments via NetsUnion, rather than banks' payment gateways. E-wallet payments are also processed through NetsUnion. It aligns the payment processing procedures for e-wallets with that of bank cards.

In April 2018, we became a member of NetsUnion, and entered into a network access agreement with it. Under the agreement, NetsUnion is responsible for channeling payment information from our QR code payment transactions to corresponding banks and providing clearing services regarding the corresponding payment transactions. Similar to UnionPay, an interchange fee is deducted by NetsUnion for every transaction that it processes, see "**— Our Business — One-stop Payment Services — Pricing.**"

Under the network access agreement, we are required to comply with NetsUnion's membership rules, and to fulfil our obligations in anti-money laundering and terrorist financing pursuant to the applicable laws and regulations. We are obliged to indemnify NetsUnion's losses caused by fictitious, inaccurate, incomplete, illegal or invalid transactions that we process. NetsUnion is obliged to compensate our direct losses that arise from failures of its system. During the Track Record Period, we did not encounter any loss due to failure of the NetsUnion system. Our agreement with NetsUnion has a term of approximately one year, and automatically renews, absent of any objection from either party.

Our ability to process e-wallet payments via access to payment networks

E-wallet payments are centrally processed on the UnionPay and NetsUnion networks. By tapping to the UnionPay and NetsUnion networks, our platform can process payments via e-wallets that the payment networks support. At the other end of these networks, e-wallet companies provide customers with e-wallet services by connecting them with payment networks. These e-wallet companies such as the companies operating WeChat Pay and Alipay, the two largest payment service providers in China, focus on the acquisition of individual consumers, contrasting to our focus on merchants. We did not enter into cooperation agreements with, and do not pay service fees to these e-wallet companies. Currently, our QR code payment services support payments from over 500 issuer's mobile apps, including WeChat Pay, Alipay or Mobile QuickPass, covering most of the e-wallets in China.

Financial Institutions

We collaborate with financial institution partners, including commercial banks, insurance companies and trust companies to provide payment and fintech services. See "**— Our Business — One-stop Payment Services — Our role in the third-party payment value chain.**" We provide marketing services on our platforms to our partner banks, from whom we receive service fees for successful referrals.

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Loan Facilitation Partners

We enter into service agreements with financial institution partners in offering loan facilitation services. Pursuant to these agreements, we are responsible for providing the platform as well as ancillary services, including loan applicant information collection and verification, credit assessment and recommendation to our loan facilitation partners for their consideration. Our cooperation agreements with these loan facilitation partners typically have a term of one year, and automatically renew, absent of any objection from either party. The agreement can be terminated by a mutual consent or by either party with ten business days' written notice to the other. Currently, we have entered into cooperation agreements with five loan facilitation partners, namely, (i) Partner A, a CBIRC approved consumer finance company that was established in 2014; (ii) MSXF Finance Co., Ltd (馬上消費金融股份有限公司), a CBIRC approved technology-driven financial institution with the consumer finance license to start its business in 2015; (iii) Merchants Union Consumer Finance Co., Ltd (招聯消費金融有限公司), a Shenzhen based consumer finance company that was established in 2015 with an approval from Shenzhen Banking Regulatory Commission (深圳銀監會); (iv) Partner B, the Shenzhen branch of a Chinese commercial bank which was established in 1992 and listed in the Shanghai Stock Exchange; and (v) Partner C, a micro-lending company established in 2014 with the approval of Shangdong Financial Service Office (山東省金融工作辦公室). Except for Partner A, all of our loan facilitation partners are state-owned enterprises in China.

Entrusted Loan Partners

Our financial institution partners, including banks and trust companies, on-lend our deposited funds to offer entrusted loans. Pursuant to our agreements with these entrusted loan partners, they are required to, upon our instruction, transfer funds to designated bank accounts of borrowers. We are typically required to pay our entrusted loan partners a handling fee of less than 3% for each transaction. Our cooperation agreements with these entrusted loan partners typically have a term of one year, and automatically renews, absent of any objection from either party. The agreement can be terminated by a mutual consent. During the Track Record Period, we entered into cooperation agreements with four entrusted loan partners, namely (i) Partner W, a commercial bank incorporated in Guangdong Province in 2011 with an approval from China Banking Regulatory Commission (中國銀監會), which focuses on providing services to micro-, small- and medium- sized companies, as well as high-net-worth individuals in Guangdong Province; (ii) Partner X, a trust company incorporated in Yunnan Province, which has obtained the financial service license in 2007 to engage in lending business; (iii) Partner Y, a privately-owned bank incorporated in Hunan Province in 2016 with an approval from China Banking Regulatory Commission (中國銀監會), which focused on providing services including deposit taking, loans, and settlement in China; and (iv) Partner Z, a trust company incorporated in Shaanxi Province and whose shares are listed on the Shenzhen Stock Exchange. It is specialised in providing trust loans, trust investment, financial leasing, credit guarantee, financial advisory, venture capital investment and other financial services to enterprises. The table below sets forth the amount of fund we deposited with each of our entrusted loan partners during the Track Record Period:

	For the year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Partner W	8,900	–	–
Partner X	–	30,000	150,000
Partner Y	–	4,600	19,020
Partner Z	–	–	20,000
Total	8,900	34,600	189,020

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On August 22, 2019, Yunnan Trust Star No. 2005 Aggregated Fund Trust Scheme (the "Trust") was set up as a self-benefit trust (自益信託) of which the assignor (委託人) is also the trust beneficiary (受益人), who are the investors of the Trust including senior unit investors and subordinate unit investors. The trust period is 13 months and the trustee is Partner X, and the sole purpose of the Trust is to provide small-sized retail loans to merchants and consumers. The assets under management of the Trust is RMB50 million, of which RMB37.5 million was subscribed by 28 independent third parties as senior unit investors, and the remaining RMB12.5 million was subscribed by Feiquan Factoring, one of our subsidiaries, as a subordinate unit investor. The subscription amount of the senior unit investors ranged from RMB1 million to RMB4.5 million, with an average holding of 2.7% interest in the Trust. Senior unit investors may subscribe for either units of 9-month period or 13-month period. In order to qualify as a senior unit investor, an investor is required to (i) possess at least two years of investment experience and (ii) pass the minimum asset or income threshold. None of the Controlling Shareholders, Directors and senior management of our Company or their respective associates are the senior unit investors of the Trust. As advised by our PRC Legal Advisors, the Trust has been duly registered with the CBIRC, and we do not need any license to invest in the Trust. The Trust is consolidated as a subsidiary of our Company under the IFRS. However, as the Trust is an insignificant subsidiary of our Company, the trustee is not a connected person of our Company pursuant to Rule 14A.09 of the Listing Rules. In addition, other than being the trustee of the Trust, Partner X is not a connected person which falls under Rules 14A.07(1) to (6) of the Listing Rules. Thus, the management fee and consultancy fee arrangements between our Group and Partner X as described below do not constitute connected transactions under Chapter 14A of the Listing Rules. In the event that the Trust is no longer qualified as an insignificant subsidiary in the future, our Company will comply with the requirements under Chapter 14A of the Listing Rules.

As part of the arrangement of the Trust, the trustee has engaged Shenzhen Yeahka, one of our subsidiaries, as a consultant to (i) screen and refer borrowers, and (ii) assist in credit assessment of the borrowers. After the completion of pre-lending procedures, the trustee will then grant loans to borrowers. The size of loans granted by the Trust ranged from RMB1,000 to RMB30,000, with an average size of approximately RMB4,900. The profiles of the target borrowers of the small-size retail loans granted under the Trust, our facilitated loans and entrusted loans are substantially the same.

The small-sized retail loans granted under the Trust carry interest at no more than 36% per annum with loan period of no more than 12 months. Feiquan Factoring is entitled to residual return from the Trust after deducting the guaranteed return of 8.0% to 8.5% of the investment amount for senior unit investors, management fee charged by trustee and expected credit loss. As a result, we enjoy variable return from investing in the Trust and we expect that our share of return is higher than our share of contribution (i.e. 25%) to the Trust. Under the arrangement of the Trust, Feiquan Factoring shall pay for the shortfall between the actual return and the guaranteed return for senior unit investors, and the maximum amount Feiquan Factoring is required to pay, if any, is capped at RMB12.5 million, i.e. our investment amount in the Trust. Therefore, our maximum exposure with respect to the Trust is RMB12.5 million. Senior unit investors are not allowed to withdraw their investments prior to the expiry of the trust period they subscribed for.

Set out below is a summary of the fee arrangements among the parties involved in the Trust:

- Senior unit investors who subscribed for units of 9-month period and whose investment in the Trust amounts to (i) RMB1.0 million or more but less than RMB3.0 million and (ii) RMB3.0 million or above, are entitled to a guaranteed annualized rate of return of 8.0% and 8.2% of the investment amount, respectively.

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- Senior unit investors who subscribed for units of 13-month period and whose investment in the Trust amounts to (i) RMB1.0 million or more but less than RMB3.0 million, (ii) RMB3.0 million or more but less than RMB6.0 million and (iii) RMB6.0 million or above, are entitled to a guaranteed annualized rate of return of 8.2%, 8.3% and 8.5% of the investment amount, respectively.
- The trustee is entitled to receive a management fee from the Trust amounting to the aggregate of (i) 2.4% of the total assets under management of the Trust and (ii) the difference between 9.2% of the total assets under management subscribed by senior unit investors and the total guaranteed return received by senior unit investors.
- The Trust shall pay (i) information technology service fees to the information technology service provider of the Trust at a rate of 0.1% of the total assets under management of the Trust and (ii) custodial fees to the custodian bank of the Trust amounting to 0.03% of the total assets under management of the Trust.
- Shenzhen Yeahka is entitled to a consultancy fee payable by the trustee amounting to 3.0% of the total assets under management of the Trust.
- Feiquan Factoring, as a subordinate unit investor, is entitled to residual return from the Trust after deducting the above guaranteed return to senior unit investors, fees, miscellaneous expenses and tax payables.

Going forward, we may continue to cooperate with trust companies to expand our entrusted loan business through trust arrangements.

RISK MANAGEMENT AND INTERNAL CONTROL

We are subject to various risks in our operations, see "Risk Factors — Risks Relating to Our Business and Industry." We have established a risk management system and relevant policies and procedures, which we consider suitable for our business operations. We also continue to monitor and review our risk management and internal control systems, and adapt to the changes in market conditions, our product and service offerings, and the regulatory environment.

We have an independent risk management committee, comprising representatives from different departments. Led by the risk management committee, our risk management and internal control team is responsible for monitoring the daily implementation of the internal control procedures and measures with respect to each subsidiaries and functional departments.

We also have a separate independent risk management team for our fintech services business, focusing on identifying and managing our risk exposure. It mainly comprises the risk strategy team, the internal audit team, and the product team. Currently, our risk management team for fintech services has 15 members. Most of the members have experience in retail banks and credit card centers. Our fintech service risk management team is led by Mr. Gong Xun (龔勳), who is an actuary accredited by the China Insurance Regulatory Commission (中國保險監督管理委員). Mr. Gong had served as the risk manager of a leading consumer finance company in China and a risk policy analyst at the credit card center of a leading Chinese bank.

Business Risks***Fraud***

We are exposed to fraud risks in our operations. See “Risk Factors — Risks Relating to Our Business and Industry — Fraudulent and fictitious transactions, and misconducts committed by our employees, customers, distribution channels and other third parties may pose challenges to our risk management capabilities, and failure to manage the related risks may adversely affect our business, financial condition, and results of operations.” We have fraud risk management policies and procedures in place to govern our business operation.

We leverage our data analytics capacities to detect fraud risk in our 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. Based on the risk assessment results of our system, the team also conducts onsite investigation, administering a series of tests on suspicious account users.

Credit Assessment

In providing fintech services, we are exposed to risks in relation to effectiveness of our credit assessment system. See “Risk Factors — Risks Relating to Our Business and Industry — Our fintech services are subject to risks relating to credit assessment and general macroeconomic conditions. Our current risk management system may not be able to exhaustively assess or mitigate all risks to which we are exposed.” We have credit assessment policies and procedures in place to govern our operation in providing fintech services. Our fintech service risk management team is primarily responsible for implementing such policies and procedures.

We use a variety of data, including those generated from our payment services to assess the credit worthiness of loan applicants. We conduct holistic assessment on credit worthiness of loan applicants, which consist of automatic preliminary assessment, screening, and manual assessment. When an applicant submits an application through our online technology platform, we perform automatic preliminary assessment based on the applicant’s key information such as identification and mobile number through our system. We employ different algorithms and metrics to analyze the basic personal information (such as gender, age, place of residence), payment patterns, transaction records, financial status and credit records of applicants and assess the probability of default. If additional information is needed, after evaluating the results of automatic preliminary assessment, we may use graphic recognition or bio-recognition to verify the identity of an applicant. Manual assessment may also be employed to verify the truthfulness of information provided by an applicant.

BUSINESS

Once a loan application has passed our preliminary assessment, our fintech service risk management team, which currently consists of 15 members, will refer it to loan facilitation partners for their final assessment to the extent where loan facilitation partners have sufficient credit supply. If the credit supply from our loan facilitation partners is insufficient to meet the needs of our fintech services, our fintech service risk management team will disburse entrusted loans after further assessments. Our fintech service risk management team continuously monitors a range of indicators including the level of credit supply from our loan facilitation partners, our own capital and our loan mix to control the risk exposure. When we were relatively new in offering fintech services, we had fewer loan facilitation partners. We started with offering entrusted loans which requires the use of our own funds. As we have deepened our collaboration with financial institution partners, we increasingly focus on providing facilitated loans, and the proportion of it is expected to further increase.

We do not have a designated ratio or target volume of loans to be referred to or granted through our partners, and we are not subject to any performance requirements as to the number or amount of loans we refer to or grant through any particular partner. However, in deciding which of the loan facilitation partners that a specific application will be referred to, we consider a range of factors including a partner's (i) credit supply; (ii) preferences and requirements as to borrowers' profiles; (iii) approval process efficiency and conversion rate; and (iv) level of service fees. In deciding which entrusted loan partner to disburse loans through, we consider factors including (i) our entrusted fund balances with the partners and (ii) the potential for future collaborations in offering facilitated loans.

In light of the recent outbreak of the COVID-19, we have ceased to offer loans in severely affected areas, including Hubei Province. We have also tightened our credit policy, raising the lending standards, and rejecting loan applicants whose risk profile are above the relevant thresholds. As a result, our overall credit risk exposure and the approval rate of loan applications have both decreased. The total amount of loan we offered in March 2020 decreased by 85.1% from that in January 2020. Although there was an upward shift in the overall credit risk as a result of the recent COVID-19 outbreak, data generated from our payment services and our credit risk assessment algorithms and metrics remain relevant, reasonable and applicable for our assessment of loan applicants' credit worthiness and probability of default, as historical data including demographic information, financial status, and credit and transaction records remain useful for the assessment of applicant's credit worthiness. Based on our existing data, our credit risk assessment model, which was adjusted to the tightened credit policies was still able to identify distinctive risk profiles, effectively categorizing loan applicants according to their risk of default to facilitate credit decisioning. Our overdue rate calculated as overdue loan receivables as a percentage of the total loan receivables, slightly increased by 1.7 percentage point as of March 31, 2020 from that of January 31, 2020.

Money laundering

We are exposed to money laundering risks in our operations. See "Risk Factors — Risks Relating to Our Business and Industry — We are subject to anti-money laundering laws and regulations." We have established internal control policies and procedures to monitor and report any suspected money laundering activities as part of our due diligence and risk assessment procedures.

We have developed a proprietary risk management system that facilitates our customer due diligence procedures, and identifies and intercepts suspicious transactions. We continuously analyze suspicious patterns and trends of completed transactions, update the list of suspicious recipients, and refine the algorithms.

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We also provide education and training to our staff on anti-money laundering and anti-terrorist financing. In addition, we have an anti-money laundering and anti-terrorist financing committee to monitor compliance with the relevant laws and regulations. We submit reports to the PBOC on suspicious transactions and customer identity information we identified in accordance with the relevant regulatory requirements.

Data collection, reprocessing and aggregation

We collect and store data generated from our services pursuant to the applicable laws and regulations. Payment and business service customers need to consent to our policy for the collection, storage and use of identification information, including name, bank card number, and mobile number before using our services. We also process non-sensitive transaction information of consumers, such the amount, time, type and location of payments, for which consent is not required. See “Risk Factors — Risks Relating to Our Business and Industry — Our business is subject to complex and evolving regulations and oversight related to data security. Personal data and other confidential information that we collect or are provided access to may subject us to liabilities imposed by relevant governmental regulations” for details of risks in relation to collection, reprocessing and aggregation of data.

The data that we obtain from the provision of our payment services is stored in the private cloud and encrypted database of our internet data center. All data is kept for at least five years according to our internal policy. Such data is owned by the customer and we are entitled to use such data pursuant to the authorization of the customer.

We have put in place a series of back-up management procedures. We deploy different back-up mechanisms, including local back-ups and offsite back-ups, depending on the needs and nature of data, to minimize the risk of data loss or leakage. We have also established protocols for the design, implementation and monitoring of offsite back-ups. We also require any access to or processing of customer data to go through strict assessment and approval procedures in order to ensure that only valid and legitimate requests are executed. See “— Data security, cybersecurity and confidentiality protection.”

We perform data recovery tests on a regular basis, and we retain the relevant records. We provide information security training to our employees and conduct ongoing trainings, and we discuss any issues or necessary updates from time to time. We also have an emergency response mechanism to evaluate critical risks, formulate disaster response plans and we perform emergency drills on a regular basis.

Data security, cybersecurity and confidentiality protection

We are exposed to risks in relation to data security, cybersecurity and confidentiality in our operations. See “Risk Factors — Risks Relating to Our Business and Industry — Failure to protect transaction information and data from continually evolving cybersecurity risks could affect our reputation and may expose us to penalties, liabilities and legal claims.” We have implemented stringent internal control procedures to protect the integrity of the data.

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We obtain express authorization for data collection, and we only collect such information to the extent that is necessary for the provision of our services. We have put in place and maintained security measures to limit and monitor access to the user data. Our access control procedure sets out a hierarchy of users. Our employees are allowed access to information only to the extent that is necessary. Any application for access to information will need to be approved by the internal audit team on a case by case basis. Our security system monitors and records the entire process of the data access, showing us in real-time the identity of and channels through which users access our system.

Our information security team are devoted to maintaining secure infrastructure for our platform. Our team members conduct regular cybersecurity inspections. We have also implemented a series of internal regulations to prevent any improper or unauthorized internal use and disclosure of data.

Loan Collection

We engage outsourced collection specialists to collect overdue loans. As confirmed by our PRC Legal Advisors, China currently has not adopted any laws or regulations that directly regulate a non-bank company in loan collection. However, we require our collection specialists to comply with the rules and regulations governing collection methods of receivables that apply to banks.

We have adopted internal control measures to supervise and monitor the loan collection activities conducted by these collection specialists. Our agreement with these collection specialists expressly prohibits any illegal collection activities. Our manual sets out language and manners that shall be used in collecting overdue loans. We also conduct regular inspections to identify and correct any irregular behaviours. However, we cannot guarantee that they will abide by these policies in the course of collection. See "Risk Factors — Risks Relating to Our Business and Industry — If our debt collection efforts are ineffective, our business, financial condition and results of operations may be adversely affected."

Our PRC Legal Advisors confirmed that, as of the Latest Practicable Date, we had not breached any applicable PRC laws, regulations and regulatory rules in any material respect with respect to the loan collection arrangements. As of the Latest Practicable Date, we have not received any complaints or regulatory enquiries in relation to loan collection activities or collection specialists.

Operational Risks

Legal and compliance

The payment and business services industries are highly regulated in China and the applicable laws, rules, and regulations are continually developing and evolving. See "Risk Factors — Risks Relating to Our Business and Industry — We are subject to extensive regulations in the payment and business services industry. Non-compliance with or changes to the regulations or licensing regimes may materially affect our business operations and financial results." In particular, we are subject to inspection and filings requirements promulgated by certain regulatory authorities, including the PBOC and MIIT. See "Regulatory Overview" and "— Legal and Regulatory Proceedings and Compliance — Regulatory Inspections." We have established a mechanism for legal and compliance risk management to effectively identify, evaluate, prevent and remediate compliance risk to ensure our compliance with laws and regulations.

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Our legal and 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. It also reviews and updates the standard form of contracts with third parties, examines contract terms and reviews all relevant documents for our business operations.

IT system

We have information security policies and rules in place that control our information technology infrastructure. We perform periodic compliance checks against the current information technology policies, identifying and mitigating problems that may undermine our system security. Daily backup procedures and a business continuity plan are in place to ensure continuity of our operations.

To mitigate system failure risk, we have established and optimized relevant policies in building a stable IT system. See “— Technology and IT Infrastructure — Data Security, Cybersecurity and Confidentiality Protection.” However, we cannot guarantee that our policies and measures will be sufficient to detect and resolve all defects and issues. See “Risk Factors — Risks Relating to Our Business and Industry — Any significant disruption in service on our platform, malfunctions of our technology systems, errors and quality issues in our software, hardware, and systems, or human errors in operating these systems, could materially and adversely affect our business, financial condition and results of operation.”

Business contingency

As a technology-based company, most of our functions, including settlement services, programming, system support and customer service can be performed online. Even if we experience temporary interruption to our usage of any of our office space, we believe that our employees can continue to perform the material aspects of their duties offsite, given that our offices do not carry out any production, manufacturing or physical retail activities. With our technology infrastructure, our employees can adequately support the functioning of our business operations from remote locations. Therefore, we do not depend on the availability of office premises for our business operations, and we do not believe a contingency relocation plan is required. For our contingency plan for system stability and data recovery, see “— Business Risks — Data collection, reprocessing and aggregation.”

Financial Risks

Credit risks and concentration risks

We are exposed to credit and concentration risks in providing fintech services. See “Risk Factors — Risks Relating to Our Business and Industry — Our fintech services are subject to risks relating to credit assessment and general macroeconomic conditions. Our current risk management system may not be able to exhaustively assess or mitigate all risks to which we are exposed.” Using the data generated from our payment services, we have developed our proprietary credit assessment model to assess the creditworthiness of loan applicants, enhancing and facilitating the credit decisioning process. The vast amount of data lays a strong foundation for our use of machine learning to optimize the credit assessment model. We continuously test and update the system. See “— Technology and IT Infrastructure — Big Data Analytics and Artificial Intelligence — Business Services.”

We recommend to prospective borrowers loan products according to their profiles. We employ different algorithms and metrics in assessing borrowers’ probability of delinquency in each group. Generally, credit scores of an applicant can be calculated within minutes, which provides the basis for credit decision. In addition, to continuously improve the system predictive capability, we check our credit assessment results against our financial institution partners’ decisions, which are based on their review of reports of the Credit Reference Center of the PBOC.

We impose limits on the extension of credit to borrowers. We also adjust credit limits based on national and local laws and regulations, and our credit policies. We generally do not offer entrusted loan that exceeds RMB50,000 for a single lending. We obtain applicant’s information from our database at the time of the loan application to determinate whether the aggregate amount exceeds the aggregate lending limit. We also require applicants’ confirmation as to their compliance with the current regulation.

Liquidity Risk

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. We make detailed working capital plans for our business operations. Our working capital needs usually arise from the purchasing of equipment, such as payment terminals, 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. However, we cannot assure you that we will be able to generate sufficient cash flows for our operations or to obtain sufficient funds to finance our business in the future. See “Risk Factors — Risks Relating to Our Business and Industry — We recorded negative operating cash flows for the year ended December 31, 2017. If, in the future, we are unable to generate sufficient cash flows for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity and financial condition will be materially and adversely affected.”

RESEARCH AND DEVELOPMENT

As of December 31, 2019, we had a team of 199 staff dedicated to research and development. Our products team members also contribute to the research and development by bringing in practical insights and exploring customers' needs. As of December 31, 2019, all of our research and development staff, and 126 product and operation team members had expertise in system, infrastructure, large-scale distributed application technology, big data computing technology or artificial intelligence. They together represented 39.3% and 24.9% of our total number of employees as of December 31, 2019, respectively. We incurred research and development expenses of RMB24.3 million, RMB87.1 million and RMB78.4 million for the years ended 31 December 2017, 2018 and 2019, respectively.

Our research and development team is headed by Mr. Luo Xiaohui, our chief architect. Mr Luo has over 13 years of experience in the information technology sector. See "Directors and Senior Management — Senior Management." Our previous research and development initiatives include improving and upgrading our IT infrastructures, such as our account management system, private cloud technologies, and information security. We also focused on the application of artificial intelligence and data analytics to extend our business service offerings.

In September 2017, we established an AI laboratory to enhance our service offerings with mature AI technologies, and to explore the business application of cutting-edge artificial intelligence technologies. Currently, our AI laboratory focuses on projects relating to image and video recognition, automated machine learning, and risk management. We have commercialized our research and development results in various use case scenarios, including biometric authorization in payment services, chatting robot for customer service, and menu recognition in our smart order management SaaS products for merchants in food and beverage industry.

In March 2019, we have formed RYK Capital Partners Limited, an investment platform with Recruit Holdings to co-invest in areas that complement to our payment and technology-enabled business services. In particular, we mainly focus on companies with innovative technologies in business services. RYK Capital Partners Limited is owned as to 90% by Recruit holdings and 10% by us. We have been exploring synergies and collaborating with these investee companies in developing products and services to satisfy customers' needs through RYK Capital Partners Limited.

In addition to hiring experienced candidates from well-established Internet and software companies, we also recruit fresh graduates from reputable universities. We compete aggressively for talents in IT engineering with a view to help us address challenges and maintain our technological edge.

TECHNOLOGY AND IT INFRASTRUCTURE

Technology and IT infrastructure are the foundation of our company and a key component of our strengths. We mainly relied on proprietary technologies in building our technology infrastructure.

IT System and Infrastructure***Servers and private cloud***

With our capabilities in cloud computing and other technologies, we have constructed an integrated operation and maintenance system to host our IT infrastructure, at separate locations. Our platform adopts modular architecture that consists of multiple connected components, each of which can be separately upgraded and replaced without compromising the functioning of other components. In addition, we have installed a firewall that monitors and controls incoming and outgoing traffic and will automatically take reactive measures against any information security threats. The data is stored in the private cloud and encrypted database of our internet data center.

We host our principal IT infrastructure at multiple locations in Shenzhen. 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. We believe our IT infrastructure is highly stable.

The infrastructure has been fully integrated with our computer environments and business requirements to serve as a powerful engine for our services. As of December 31, 2019, our information technology infrastructure was capable of processing over 100 million transactions per day, with a peak processing capacity of over 10,000 transactions per second.

Account management system

We have developed a proprietary account management system, to facilitate centralized management of customer accounts, information, and regulatory compliance. This system consolidates and manages all our customers' account information, including procedures and standards for customers' account opening. It tracks and records the balances of customer accounts, allowing better visibility and management of funds movements. The system is built upon our extensive experience of serving a large and diverse customer base. We update the system from time to time to improve its reliability, efficiency and compatibility with our services, payment scenarios and evolving regulatory requirements.

Data Security, Cybersecurity and Confidentiality Protection

To protect the integrity of our data, we have implemented stringent internal control procedures, including external data transferring confidentiality, internal access restriction and customer data leakage risk management. We continuously manage the processing capacity of our system to ensure stable operation. We utilize technologies such as identity verification, and data encryption to mitigate the risk of data leakage. Furthermore, we have established an access control procedure, which sets out a hierarchy of users. See "— Risk Management and Internal Control — Business Risks — Data security, cybersecurity and confidentiality protection."

Our data security and management capabilities have been certified by various national standards, including (i) the Level 3 Certification of Information System Protection, (ii) the Safety Certification on Payment Facilities for Non-Financial Institution, and (iii) the Account Data Security Standard evaluation.

Big Data Analytics and Artificial Intelligence

During the course of the provision of our payment services, we process a high volume of transactions on a daily basis, generating a vast amount of data. Our capability in big data analytics and artificial intelligence enables us to process and analyze these data for the purpose of improving our operating efficiencies and our customer satisfaction.

Data analytics

Premised upon our IT infrastructure, we employ various technologies, such as cloud computing and distributed computing to collect, process and visualize the vast amount of data that we generate from business operations. These data include customer profile, transaction data, behavioral data, spending pattern, and credit data.

Our data center provides convenient access to data for our various departments, including our risk management department and business units, so that they can receive and utilize the data they need on a real-time basis. These data can be used to facilitate and support management's decision-making.

Artificial intelligence

Our algorithm engineering team explores areas of artificial intelligence continuously. We utilize artificial intelligence to analyze the vast amount of data. For instance, our machine learning algorithm automates analytical model building, which allows us to extract, integrate and analyze pertinent information from our database. We enhance our data analytics capabilities by building various artificial intelligence powered models to analyze data and improve algorithms to be tailored to specific tasks under different scenarios. The data generated from our payment service provides abundant resources for training of artificial intelligence model, under various scenarios.

We leverage our capabilities in data analytics and artificial intelligence to extend our service offerings.

Marketing services. Given our data assets and data analytics capability, we optimize our delivery of interactive advertisements on our advertisement platform in a manner that they are delivered to advertising space where consumers are most likely to be converted. For example, we have built up our own algorithm database, combining a wide range of data and scenarios to enhance the precision of advertisement placement.

Image Recognition. Processing a huge volume of transaction on a daily basis, we have continuously trained and enhanced our image recognition algorithm for payment authorization, enabling accurate and speedy identification. The underlying algorithm is transferrable. We deploy our image recognition technology to build merchant SaaS products, such as our image recognition e-tool. They help merchants in a wide range of circumstances, including scenarios where identity verification is required.

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Credit Assessment. Big data analytics, together with artificial intelligence, allow us to comprehensively integrate and analyze applicants' information, ranging from credit data to behavioral, social, and transactional data that we accumulate from the provision of payment services. Our credit assessment model that we use in our business services utilizes an array of analytical techniques and model outputs from traditional multivariate regression to machine learning. This enables an accurate profiling of loan applicants, and assessment of their credit worthiness, facilitating credit and pricing decision making.

INTELLECTUAL PROPERTY

We regard our patents, trademarks, service marks, domain names, trade secrets, proprietary technologies and similar intellectual property as critical to our success, and we rely on patents, trademark, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as confidentiality procedures and contractual provisions with our employees, partners, service providers, suppliers and others to protect our proprietary rights. We did not have any material dispute or any other pending legal proceedings concerning intellectual property rights with third parties during the Track Record Period.

As of the Latest Practicable Date, we had 31 registered trademarks, 18 patents, 99 copyrights for software products, and 19 registered domain names. As of the Latest Practicable Date, we also had 49 pending trademark applications and four pending patent applications in the PRC. For a list of our major intellectual property rights, see "Statutory and General Information — B. Further Information About Our Business — 2. Our Material Intellectual Property Rights" in Appendix IV.

During the Track Record Period, Beijing Miaofu Technology Co., Ltd. (北京秒付科技有限公司) ("**Miaofu**") initiated a claim against Leshua Technology for the alleged unauthorized use of certain software products. Miaofu alleged that Leshua Technology was only authorized to use the software products for a limited period of time while we were of the view that, pursuant to the agreements, Leshua Technology has the right to use the software products for an unlimited period of time upon payment of the purchase price. A judgment in favor of Leshua Technology in relation to such infringement claim was granted by the second instance of the Shenzhen Intermediate People's Court on October 23, 2019, and is not subject to appeal. As a result, Leshua Technology was granted the right to use the three software products for an unlimited period of time.

Further, without our knowledge, certain employees of our Group installed and occasionally used a software product without proper license for our business activities during the Track Record Period. When such incident came to our attention in late November 2019, we took immediate remedial actions and completed the purchase of the license of such software product on March 2, 2020. The owner of the software product license agreed not to pursue any claim against us for the antecedent unauthorized use of such software product upon our purchase of the software product license.

Save as disclosed herein, (i) the use of all software by our Group were authorized during the Track Record Period and up to the Latest Practicable Date; and (ii) there was no material complaints received by, or claims against, our Group in relation to the use of software without proper licenses during the Track Record Period and up to the Latest Practicable Date.

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COMPETITION

The third-party payment service market is large, yet competitive and evolving. We compete against other payment service providers in China. Payment service providers can be broadly categorized into (i) banks, (ii) affiliated payment service providers, such as China UnionPay Merchant Services, WeChat Pay and Alipay and (iii) independent payment service providers, such as us.

Banks play the role of both an issuer and a payment service provider. With their scale of operation, they are perceived as superior in payment security, but are less agile due to focus on self-issued cards. Affiliated payment service providers offer services ancillary to their major lines of business or network, which remains their center of focus. In particular, WeChat Pay and AliPay, the two largest third-party payment service providers, focus on expanding their customer base in the consumer market. Independent payment service providers focus on the provision of one-stop services that accommodate different types of payment methods. We compete primarily with other offline focused independent payment service providers, who specialize in the provision of aggregated offline payment services, mainly via payment terminals and QR code. See "Industry Overview — Payment Services — Competitive Landscape." As payment service fee rate to merchants is largely market driven, pricing of independent payment service providers is largely at similar levels. As our technology-enabled business services continue to grow and become increasingly integrated into our one-stop payment services, we believe we will have more flexibility in adjusting our pricing strategies.

We believe the key factors for our success in the industry include the stability and functionality of services, sales and distribution capabilities, relationships with partners, pricing, capabilities in providing extended value-added services, and brand name. We may not be able to continue to compete effectively. See "Risk Factors — Risks Relating to Our Business and Industry — If we fail to compete effectively, we may lose customers, which could materially and adversely affect our business, financial condition and results of operations."

In addition, our competitors, in particular banks and affiliated payments service providers may have larger customer base and resources than we do. Although we believe that they have a different business focus and value proposition from ours, we cannot assure you that they will not expand their payment service offerings for micro and small merchants in the near future. See "Risk Factors — Risks Relating to Our Business and Industry — If we fail to compete effectively, we may lose customers, which could materially and adversely affect our business, financial condition and results of operations."

EMPLOYEES

As of December 31, 2019, we had 507 full-time employees, the majority of whom are based in Shenzhen, China. The following table sets forth the number of our employees by function as of the same day:

<u>Function</u>	<u>Number of employees</u>	<u>% of Total</u>
Sales and Marketing	57	11.2
Research and Development	199	39.3
Product and Operation	126	24.9
Customer Service	24	4.7
Finance and Administration	101	19.9
Total	507	100.0

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As of December 31, 2019, over 86.0% of our employees holds a bachelor's degree or above, and approximately 8.0% of our employee holds a master degree or above.

Our success depends on our ability to attract, retain and motivate qualified personnel. We primarily recruit our employees through campus recruitment, recruitment agencies, and online channels. As part of our recruiting and retention strategy, we offer employees competitive salaries, performance-based bonuses and certain other incentives.

We have adopted a robust training program, pursuant to which employees regularly receive trainings on areas including technology, regulation and management from internal or external speakers. We offer ongoing in-house training for different levels of employees, tailored to their roles and skill levels. We believe our training culture has contributed to our ability to recruit and retain qualified employees.

We have established a dual-track career path that separately assesses managerial and technical talents, enhancing opportunities for personal development and career advancement. We engage external human resources business partners to enhance communication with, and provide counselling to new recruits and key employees.

As required under PRC regulations, we participate in various 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 also purchase commercial health and accidental insurance for our employees.

We believe that we maintain a good working relationship with our employees and we did not experience any labor strikes or other material labor disputes that affected our operations.

Labor Outsourcing Arrangements

We entered into labor outsourcing agreements with independent labor service providers. Our labor service providers designate staff to provide services relating to sales, customer service, operation and technical support. We consider that these arrangements afford us a lean and flexible human resources structure, allowing us to focus on our core business, and timely respond to industry trends.

Under the labor outsourcing agreements, we pay service fees to the labor service providers. The labor service providers pay for the salaries, social insurance and housing funds, and other welfare benefits of its designated staff in accordance with relevant PRC laws and regulations. For the years ended December 31, 2017, 2018 and 2019, we paid service fees to the labor service providers in the amount of RMB11.8 million, RMB19.1 million and RMB22.9 million, respectively.

INSURANCE

We provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for our employees. In line with general market practice, we do not maintain business interruption insurance or key-man insurance. During the Track Record Period, we did not make any material insurance claims in relation to our business. For a discussion of risks relating to our insurance coverage, see "Risk Factors — Risks Relating to Our Business and Industry — We have limited insurance coverage and may incur losses resulting from business interruptions."

PROPERTIES

As of the Latest Practicable Date, we did not have any self-owned property in China. As of the Latest Practicable Date, we leased 34 properties in the PRC with a total gross floor area of 10,286.0 square meters.

As of the Latest Practicable Date, no single property accounted for 15% or above of our consolidated total assets by book value. Therefore, this prospectus is exempt from the requirements under Chapter 5 of Hong Kong Listing Rules and Paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance that the interests in the lands and buildings shall be included in the valuation report according to section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Leased Properties

As of the Latest Practicable Date, our leased properties had a total gross floor area of 10,286.0 square meters, and each leased property ranged from a gross floor area of 10 square meters to 2,264.3 square meters. The relevant lease agreements have lease expiration dates ranging from April 2020 to August 2035. We are in the process of renewing the lease agreements that have expired or are expected to expire soon.

As of the Latest Practicable Date, 22 of the lessors of our leased properties in China, with a gross floor area of 7,770.6 square meters, had not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us. Among them, a lessor of two such properties (with an aggregate gross floor area of 4,935.0 square meters, accounting for 48.0% of the aggregate gross floor area of our leased properties) has obtained certificates of land use right. Currently, the lessor is in the process of applying for corresponding title certificates. As of the Latest Practicable Date, the ownership of our leased properties had not been challenged by any third party.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we had not obtained any lease registration for 24 properties we leased in China, primarily due to the difficulty of procuring our lessors' cooperation to register such leases. The registration of such leases will require the cooperation of our lessors. We will take all practicable and reasonable steps to ensure that the unregistered leases are registered. Our PRC Legal Advisors have advised us that the lack of registration of the lease contracts will not affect the validity of the lease agreements under PRC laws, and has also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. The estimated total maximum penalty is RMB240,000.

It is unlikely that our rights to lease and use will be affected by claims or enforcement actions by the relevant authorities or third parties at the same time, considering that these properties are geographically dispersed, and the agreements were entered into with different lessors. In addition, we would be able to relocate to a different premise relatively easily, should we be required to do so by the relevant authorities or third parties.

Based on the foregoing, our Directors believe failure of obtaining ownership certificates or authorization by our lessor as well as the non-registration will not have any material adverse impact on our business operations and financial condition.

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LEGAL AND REGULATORY PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time get involved in legal proceedings arising in the ordinary course of business.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not been involved in any litigation, arbitration or administrative proceeding against us or any of our Directors that could have a material and adverse effect on our business, financial conditions or results of operations. Furthermore, to the knowledge of our Directors, there is no pending or foreseeable litigation, arbitration or administrative proceeding against us or any of our Directors that could cause a material and adverse effect on our business, financial conditions or results of operations.

Regulatory Inspections

Local regulatory offices of PBOC conduct routine and ad hoc inspections on our operating conditions from time to time. See "Regulatory Overview — Regulations on Payment Services of Non-financial Institutions — Regulations on Bankcard Acquiring Business". During the Track Record Period and up to the Latest Practicable Date, there were ten incidents where certain areas of our payment services do not comply fully with the Administrative Measures on Bankcard Acquiring Business (《銀行卡收單業務管理辦法》). As a result, we were subject to administrative penalties in the aggregate amount of RMB972,000, all of which were settled as of the Latest Practicable Date.

The major issues expressed by local offices of PBOC during the Track Record Period and up to the Latest Practicable Date, along with our corresponding remedial measures are set out below.

Major issues	Reasons	Remedial measures
<ul style="list-style-type: none">Failure to properly implement merchant real-name registration system and review their sign-up materials	<ul style="list-style-type: none">Our staff's lack of experience in identity verification requirements to comply with the regulations on real-name registration.	<ul style="list-style-type: none">We have requested for more comprehensive sign-up materials including (i) business licenses and tax registration certificates; (ii) bank account information and ancillary proof; and (iii) photos of the place of business.We have enhanced the effectiveness of real name registration with the use of (i) National Citizen Identity Information System; (ii) identification, bank card and mobile number; (iii) facial recognition; and (iv) National Enterprise Credit Information Publicity System.

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Major issues	Reasons	Remedial measures
<ul style="list-style-type: none">• Failure to properly manage acquiring bank settlement account, including improper use of individual bank accounts as settlement accounts by corporate merchants	<ul style="list-style-type: none">• Failure to implement adequate monitor and checks due to our staff's unfamiliarity with the requirements of the Administrative Measures on Bankcard Acquiring Services (《銀行卡收單業務管理辦法》).	<ul style="list-style-type: none">• We have (i) conducted more frequent examinations of and interviews with our merchants, and (ii) imposed more stringent control over the use of personal bank accounts, such as prohibiting corporate merchants from using personal bank account for settlement and requiring written authorization where the bank account name does not match with merchant name.
<ul style="list-style-type: none">• Failure to establish an effective risk monitoring system to identify suspicious transactions and prevent fraudulent transactions	<ul style="list-style-type: none">• Failure to incorporate screening criteria with sufficient variety and flexibility into our risk monitoring system due to our staffs' lack of experience.	<ul style="list-style-type: none">• We have optimized anti-money laundering internal controls and improved our customer identification procedures. For instance, we have improved our risk monitoring system's capability in identifying suspicious transactions and fraudulent transactions, by assigning limits on the amounts and numbers of transactions according to the merchants' risk profiles. We have also provided training to our staff at different branches regarding anti-money laundering and customer identification procedures.

As confirmed by our PRC Legal Advisors, the regulatory non-compliances are not material and do not have any material adverse effect on our business, prospects, financial condition and results of operations, or this Global Offering. No objections have been raised and no follow-up actions have been taken by the PBOC offices against remedial measures taken by us in relation to the non-compliances. We have not received any follow-up comment from the local PBOC offices.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material incidents of non-compliance.

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LICENSES, PERMITS AND REGULATORY APPROVALS

As advised by our PRC Legal Advisors, our Directors confirm that as of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations in China.

The following table sets out a list of material licenses and permits currently held by us:

No.	License	Entity	Expiration Date	Description
1. . .	Payment License	Leshua Technology	July 9, 2024	License for non-bank financial institutions to offer national merchant (i) acquiring services and (ii) mobile phone payment services in China
2. . .	ICP License	Leshua Technology	December 5, 2021	License for providing internet information services
3. . .	ICP License	Shenzhen Yeahka	September 5, 2022	License for providing internet information services
4. . .	Approvals for Establishing and Conducting Micro-credit Business	Guangzhou Feiquan	N/A	License for operating micro-credit business

DATA PRIVACY

In our operation, we collect, process and analyze a vast and growing amount of data of the participants in our ecosystem. These data can be categorized into (i) merchants identification information, such as address, contact information, and licenses, which we obtain from our payment services; (ii) non-sensitive transaction information including payment time, location, amount, channel, type and terminal of the transaction, identity certification and transaction authorization information of consumers, which we are required by the PRC laws and regulations to store for five years; and (iii) sensitive information such as CVV code and payment password which we are not allowed to store.

The PRC government has various regulations restricting the collection and use of personal and behavioral data. See "Regulatory Overview — Regulations on Personal Information and Privacy Protection." We are obliged to keep personal and behavioral data confidential. We do not collect and use personal data except for the stated use as expressly authorized by customers, or purpose of compliance and risk management, or otherwise required by the law.

We have implemented stringent internal control procedures to protect the integrity of the data. Before we collect any information from our customers, we obtain their express authorization through the service agreement and we only collect such information to the extent as necessary for the provision of our services. The data is stored in the private cloud and encrypted database of our

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Internet data center. All data is kept for at least five years according to our internal policy and the data is owned by the customer and we are entitled to use such data pursuant to the authorization of the customer. In addition, we have implemented a series of internal regulations and have held regular trainings for employees to prevent any improper or unauthorized internal use and disclosure of data.

We deploy various technologies to ensure the safety and confidentiality of customer information as well as our proprietary database. See “— Technology and IT Infrastructure — Data Security, Cybersecurity and Confidentiality Protection.”

Our PRC Legal Advisors are of the view that we are in compliance with the applicable PRC laws and regulations relating to the collection, use, disclosure or security of personal data in all material respects.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

We do not operate any production facilities. Therefore, we are not subject to any significant health, safety or environmental risks. We do not expect to incur any material liabilities or expenditures in these respects. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Share Subdivision and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account Shares which may be issued under the RSU Scheme), Mr. Liu, through Creative Brocade International and Creative Brocade, will hold and be entitled to exercise in general meetings voting rights attached to Shares representing approximately 39.95% of the issued share capital of our Company. Creative Brocade International is controlled by Mr. Liu as it is owned as to (i) 99.9% by Brocade Creation, which is wholly-owned by Liu FT Nominee, the holding vehicle used by Liu FT Trustee (the trustee of the Liu Family Trust); and (ii) 0.1% by Creative Brocade, which is wholly-owned by Mr. Liu. The Liu Family Trust is a discretionary trust established by Mr. Liu (as the settlor) and the discretionary beneficiary of which includes Mr. Liu. Accordingly, Mr. Liu, Creative Brocade International, Creative Brocade and Brocade Creation will continue to be our Controlling Shareholders under the Listing Rules.

COMPETING INTERESTS

Each of our Controlling Shareholders and Directors confirms that he/she/it or his/her/its respective close associates do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective close associates after the Listing.

Management Independence

The day-to-day management of the business of the Group rests primarily with our Board and our senior management as of the Latest Practicable Date. Our Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. Although Mr. Liu is chairman of the Board, an executive Director and also a Controlling Shareholder and the sole director of each of Creative Brocade International and Creative Brocade, our management and operational decisions are made by all our executive Directors and senior management, most of whom have served our Group for a long time and all of whom have substantial experience in the industries in which we are engaged and/or in their respective fields of expertise. The balance of power and authority is ensured by the operation of the senior management and our Board. See "Directors and Senior Management" for further details.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. Further, we believe our independent non-executive Directors will bring independent judgment to the decision-making process of our Board. In addition, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the particular Board meeting.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, we have full rights to make all decisions regarding, and to carry out, our own business operations independently. Our Company (through our subsidiaries) holds or enjoys the benefit of all relevant licenses necessary to carry on our business, and has sufficient capital, equipment, access to customers and suppliers, and employees to operate our business independently from our Controlling Shareholders. In addition, our organizational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal control measures to facilitate the effective operation of our business.

Apart from the transactions set out in “Connected Transactions”, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control, accounting and financial management system and we make financial decisions according to our own business needs. In addition, our Group does not rely on our Controlling Shareholders and/or their close associates by virtue of their provision of financial assistance.

Our Directors confirm that all non-trade amounts due to or from, and loans or guarantees provided by our Controlling Shareholders and their respective close associates, will be fully repaid or released before the Listing. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in our Shareholders’ and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (c) we are committed that our Board should include a balanced composition of executive 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 possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in "Directors and Senior Management — Directors — Independent Non-executive Directors";
- (d) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other hand, our Controlling Shareholders and/or our Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either through our annual report or by way of announcements; and
- (e) we have appointed Somerley Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions with connected persons of our Company that will constitute non-exempt continuing connected transactions of the Company under the Listing Rules upon Listing. We have applied for, and the Stock Exchange has granted, waivers from strict compliance with the requirements of Chapter 14A of the Listing Rules in relation to these continuing connected transactions for the reasons, and on the terms and conditions, set out below.

Corporate Structure and Connected Person

Our Group, through our primary PRC operating entities, Shenzhen Yeahka and its subsidiaries, is primarily engaged in providing payment services and business services to merchants and consumers (the “**Principal Business**”). In order for our Company, as a foreign investor under the current regulatory regime, to maintain its Principal Business operations while complying with the PRC laws and regulations mentioned above, our Group conducts a substantial portion of the business through its PRC Consolidated Entities.

Yeahka WFOE, Shenzhen Yeahka and the Registered Shareholders entered into the Contractual Arrangements on October 29, 2019.

Our Group do not hold any equity interest in the PRC Consolidated Entities. Rather, through the Contractual Arrangements, we effectively control these PRC Consolidated Entities and are able to derive substantially all of their economic benefits, and expect to continue to do so.

For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, the PRC Consolidated Entities will be treated as our Company’s wholly-owned subsidiaries, and their directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as our Company’s “connected persons.” Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Company. The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Non-exempt Continuing Connected Transactions

Following the completion of the Global Offering, the Contractual Arrangements will be subject to the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules (the “**Non-exempt Continuing Connected Transactions**”). These transactions include the transactions contemplated under the agreements underlying the Contractual Arrangements, which comprise the Exclusive Business Cooperation Agreement, Exclusive Option Agreement, Equity Pledge Agreement, Powers of Attorney, Loan Agreement, Spouse Undertakings and Confirmation and Undertakings from the Registered Shareholders. Details of the terms of the Contractual Arrangements are set out in “Contractual Arrangements — Our Contractual Arrangements.”

CONNECTED TRANSACTIONS

The Contractual Arrangements are designed to enable our Group to (i) receive substantially all of the economic benefits from the PRC Consolidated Entities in consideration for the services provided by Yeahka WFOE; (ii) exercise effective control over the PRC Consolidated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in and/or assets of the PRC Consolidated Entities when and to the extent permitted by PRC laws and regulations.

Details of the transactions contemplated under the agreements underlying the Contractual Arrangements are disclosed in "Contractual Arrangements" and "Connected Transactions — Non-exempt Continuing Connected Transactions."

Application for Waivers

Our Directors (including our independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations; and the Contractual Arrangements and the transactions thereunder have been and will be entered into in our ordinary and usual course of business, are on normal commercial terms or better and the terms are fair and reasonable and in the interest of our Group and our Shareholders as a whole.

Our Directors also believe that our structure, whereby the financial results of Shenzhen Yeahka and its subsidiaries are consolidated into our financial statements as if they were our Company's wholly-owned subsidiaries, and all the economic benefits of their business flow to our Group, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

In addition, given the Contractual Arrangements were entered into prior to the Listing and are disclosed in this prospectus, and potential investors of our Company will participate in the Global Offering on the basis of such disclosure, our Directors consider that compliance with the announcement and the independent Shareholders' approval requirements in respect thereof immediately after Listing would add unnecessary administrative costs to our Company.

Conditions of Waiver

In view of the above, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of our independent non-executive Directors.

CONNECTED TRANSACTIONS

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefit flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the PRC Consolidated Entities through (i) our Group's options (if and when so allowed under the applicable PRC laws and regulations) to acquire all or part of the entire equity interests in and/or assets of the PRC Consolidated Entities for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the profit generated by the PRC Consolidated Entities (after deduction of any accumulated deficit of the PRC Consolidated Entities in the preceding financial year(s), working capital, expenses, taxes and other statutory contributions) is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Yeahka WFOE by the PRC Consolidated Entities under the Exclusive Business Cooperation Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the PRC Consolidated Entities.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and the PRC Consolidated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as described under "Contractual Arrangements." The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish when justified by business expediency will, upon renewal and/or reproduction of the Contractual Arrangements, however be treated as connected persons of our Group and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

CONNECTED TRANSACTIONS

(e) Ongoing reporting and approvals

We will disclose details of the Contractual Arrangements on an ongoing basis as follows:

- the Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules;
- our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by our PRC Consolidated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the PRC Consolidated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of the Shareholders as a whole;
- our Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our PRC Consolidated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;
- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", our PRC Consolidated Entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the PRC Consolidated Entities and its associates will be treated as connected persons of our Company (excluding for this purpose, the PRC Consolidated Entities), and transactions between these connected persons and our Group (including for this purpose, the PRC Consolidated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules; and
- our PRC Consolidated Entities will undertake that, for so long as the Shares are listed on the Stock Exchange, the PRC Consolidated Entities will provide our Group's management and our Company's auditors full access to their relevant records for the purpose of our Company's auditors' review of the connected transactions.

We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE JOINT SPONSORS

Based on the documentation and data provided by the Company and the Joint Sponsors' participation in the due diligence and discussions with the management of the Company and our PRC Legal Advisors, the Joint Sponsors are of the view that the Contractual Arrangements are fundamental to our legal structure and business operations and that the Contractual Arrangements have been entered into in our ordinary and usual course of business, on normal commercial terms and are fair and reasonable and are in the interests of our Group and the Shareholders as a whole.

The Joint Sponsors are also of the view that with respect to the term of the relevant agreements underlying the Contractual Arrangements, which is of a duration of longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of the PRC Consolidated Entities can be effectively controlled by Yeahka WFOE; (ii) Yeahka WFOE can obtain the economic benefits derived from the PRC Consolidated Entities; and (iii) any possible leakages of assets and values of the PRC Consolidated Entities can be prevented, on an uninterrupted basis.

CONTRACTUAL ARRANGEMENTS

BACKGROUND

Investment activities in the PRC by foreign investors are mainly governed by the Catalog for the Guidance of Foreign Investment Industries (revised in 2017) (《外商投資產業指導目錄(2017年修訂)》) (the "**Catalog (2017 Edition)**"), which was promulgated jointly by the MOFCOM and the NDRC on June 28, 2017 and became effective on July 28, 2017. The Catalog (2017 Edition) divides industries into four categories in terms of foreign investment. Those categories are: "encouraged", "restricted", "prohibited" and all industries not listed under one of these categories are deemed to be "permitted." On June 28, 2018, NDRC and MOFCOM promulgated the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資准入特別管理措施(負面清單)(2018年版)》) (the "**Negative List (2018 Edition)**"), which came into force from July 28, 2018 and superseded the categories of "restricted" and "prohibited" for foreign investment as provided in the Catalog (2017 Edition). On June 30, 2019, NDRC and MOFCOM issued the Special Administrative Measures for Access of Foreign Investment (Negative List) (2019 Edition) (《外商投資准入特別管理措施(負面清單)(2019年版)》) (the "**Negative List (2019 Edition)**") which became effective on July 30, 2019 and replaces the Negative List (2018 Edition), and the Catalog of Industries for Encouraged Foreign Investment (2019 Edition) (the "**Encouraged Catalog**") which became effective on July 30, 2019 and supersedes the categories of "encouraged" for foreign investment as provided in the Catalog (2017 Edition). As advised by our PRC Legal Advisors, a summary of our business/operation that is subject to foreign investment restrictions is set out below (the "**Relevant Businesses**").

Business

Value-added
telecommunication services

Restriction

The principal business of Shenzhen Yeahka and Leshua Technology involves provision of telecommunication and information services through mobile apps and websites, which falls within the scope of "value-added telecommunication service" under the Telecommunications Regulations (《電信條例》). According to the applicable PRC laws, foreign investors are not allowed to hold more than 50% equity interests in any enterprise conducting such business. Also see "— Qualification Requirements under the FITE Regulations" below.

Shenzhen Yeahka and Leshua Technology each holds an ICP License for the provision of value-added telecommunication service. According to the consultation on August 6, 2019 with Shenzhen Communications Administrations (深圳市通信管理局) (the "**ICP Authority**"), which is the authority in charge of accepting applications for the operation of Internet information services as well as the supervision and guidance of market access to value-added telecommunication services in Shenzhen in accordance with PRC laws and regulations, the ICP Authority will not approve the holding of equity interests by foreign investors or foreign-invested entities in PRC companies operating value-added telecommunication services. The ICP Authority also confirmed it does not object the adoption of the Contractual Arrangements. Our PRC Legal Advisors are of the view that the ICP Authority is the competent authority and the officer of the ICP Authority is competent to give the relevant confirmations and it is unlikely that the confirmations will be challenged by higher government authorities.

CONTRACTUAL ARRANGEMENTS

Business

Restriction

Payment services business The principal business of Leshua Technology involves provision of one-stop payment services. According to the Administrative Measures on Non-Financial Institutions Payment Services (《非金融機構支付服務管理辦法》) (the “**Decree No.2 of PBOC**”), to provide payment services, a non-financial institution shall qualify as a payment institution by obtaining the Payment License pursuant to the Decree No.2 of PBOC. The Decree No.2 of PBOC further provides that the business scope of foreign-invested payment institutions, the qualifications and the ratio of contributions of the foreign investors shall be separately stipulated by the PBOC and submitted to the State Council for approval. According to the Announcement No.7 of the People’s Bank of China (2018) (《中國人民銀行公告(2018)第7號》) (the “**No.7 Announcement**”) issued by the PBOC on March 19, 2018 and effective on the same day, an overseas institution intending to provide electronic payment services for domestic transactions and cross-border transactions of domestic entities in the PRC shall establish a foreign-invested enterprise in the PRC, and obtain a Payment License in accordance with the criteria and procedures stipulated in Decree No.2 of PBOC. As confirmed by our PRC Legal Advisors, (i) the No.7 Announcement only sets out the general requirements for new application of Payment Licenses by overseas institutions, but has not promulgated any detailed requirements and measures for the change of domestic institutions which have obtained Payment Licenses into foreign-invested payment institutions, and (ii) since March 26, 2015, the PBOC has not approved any new application of Payment License.

Leshua Technology holds a Payment License for the provision of payment services. According to the interview on October 21, 2019 and the consultation on December 4, 2019 with the PBOC, which is the competent authority in charge of third-party payment business in accordance with PRC laws and regulations, the PBOC confirmed that (i) no detailed regulation or requirement has been promulgated for foreign investors to invest in the domestic institutions which have obtained Payment Licenses, (ii) the PBOC has not granted any Payment Licenses to foreign-invested entities and (iii) it is unclear whether the PBOC will grant any Payment Licenses to foreign-invested entities due to lack of implementing rules and regulations. Furthermore, the PBOC does not object to seeking listings in offshore securities markets by adoption of the Contractual Arrangements.

CONTRACTUAL ARRANGEMENTS

Business

Restriction

Micro-credit business	<p>The principal business of Guangzhou Feiquan involves the provision of micro credit to borrowers which is subject to the Administrative Measures for Micro Credit Companies in Guangdong Province (Trial) (《廣東省小額貸款公司管理辦法(試行)》) (the “Micro Credit Measures”). According to the Micro Credit Measures, to provide micro credit services, a non-financial institution shall qualify as a micro credit institution by obtaining the approval from the relevant government authority pursuant to the Micro Credit Measures.</p> <p>Guangzhou Feiquan obtained an approval to operate micro-credit business. During the consultation on July 30, 2019 and a supplemental consultation on August 30, 2019 with Guangzhou Yuexiu District Financial Work Bureau (廣州市越秀區金融工作局) (the “Micro Credit Authority”), which is the eligible authority to confirm matters relating to the operation of micro-credit business, the Micro Credit Authority confirmed that it has not granted any approvals to set up micro credit companies to foreign-invested entities and that the Micro Credit Measures have not provided clear guidance regarding the eligibility and procedures for foreign-invested entities to apply for approvals to operate micro-credit business. Furthermore, the Micro Credit Authority does not object the adoption of the Contractual Arrangements.</p>
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From the perspective of operating our Relevant Businesses in a manner that is in compliance with applicable PRC laws and regulations, based on the current policy of the relevant PRC government authorities and as advised by our PRC Legal Advisors, our Company is currently unable to establish foreign-invested entities to obtain an ICP License, an approval to operate micro-credit business and a Payment License, and accordingly, our Company cannot hold a shareholding interest in the PRC Consolidated Entities, which hold the licenses and approval required for our Relevant Businesses. Before (i) detailed rules regarding changing of domestic institutions which have obtained the Payment License into foreign-invested entities are promulgated by the PBOC, (ii) clear guidance or interpretation on the Qualification Requirements in connection with the ICP License is available, and (iii) detailed guidance regarding eligibility and procedures for foreign-invested entities to obtain the approval to operate micro-credit business is available, our Company has, based on advice from our PRC Legal Advisors, assessed the requirements under all current applicable rules and implemented all measures to the extent applicable. Our Company undertakes that, after the relevant government authorities promulgate detailed rules and accept and approve relevant applications in practice, and as soon as we are required by the government authority to adjust our corporate structure, we will make necessary adjustments to our corporate structure and business structure accordingly so as to comply with the then applicable PRC laws and regulations.

In order for our Company, as a foreign investor, to maintain its business operations while complying with the PRC laws and regulations mentioned above, we, through Yeahka WFOE, have entered into a set of contractual arrangements (the “**Previous Contractual Arrangements**”) with Shenzhen Yeahka and the then registered shareholders in 2012 and 2013. The Previous Contractual Arrangements allowed our Company to exercise control over the business operation of Shenzhen Yeahka and enjoy all the economic interests derived therefrom.

CONTRACTUAL ARRANGEMENTS

In preparation for the Listing and upon the completion of the Reorganization, Yeahka WFOE, Shenzhen Yeahka and the Registered Shareholders entered into the Contractual Arrangements on October 29, 2019, which superseded the Previous Contractual Arrangements. The details of the Contractual Arrangements are further elaborated in "Our Contractual Arrangements" below. Our PRC Legal Advisors and our Directors are of the view that the Contractual Arrangements are narrowly tailored for the reasons mentioned above. The aggregate assets of the PRC Consolidated Entities are RMB1,041.3 million, RMB1,787.9 million and RMB2,049.8 million for the years ended December 31, 2017, 2018 and 2019. The aggregate revenue of the PRC Consolidated Entities are RMB302.2 million, RMB982.8 million and RMB2,107.6 million for the years ended December 31, 2017, 2018 and 2019.

For further details of the limitations on foreign ownership in PRC companies conducting the Relevant Businesses under PRC laws and regulations, see "Regulatory Overview — Regulations on Payment Services of Non-financial Institutions", "Regulatory Overview — Regulations on Micro-credit Business" and "Regulatory Overview — Regulations on Value-added Telecommunication Services."

QUALIFICATION REQUIREMENTS UNDER THE FITE REGULATIONS

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the "**FITE Regulations**"), which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of value-added telecommunications business operations overseas (the "**Qualification Requirements**"). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, satisfactory proof of the Qualification Requirements. The guidance memorandum does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirements. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement. Our PRC Legal Advisors have advised us that as of the Latest Practicable Date, no applicable PRC laws and regulations have provided clear guidance or interpretation on the Qualification Requirements.

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been working on the plan of gradually building up our track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests in the PRC Consolidated Entities when the relevant PRC laws and regulations allow foreign investors to invest and to directly hold equity interests in value-added telecommunications enterprises in China.

CONTRACTUAL ARRANGEMENTS

For the purposes of meeting the Qualification Requirements, we are in the process of establishing and accumulating overseas operation experience, including, in particular:

- we have set up a subsidiary in Hong Kong for the expansion of overseas operations;
- as of the Latest Practicable Date, we had registered two trademarks and have applied for the registration of one trademark in Hong Kong for the promotion of our Relevant Businesses overseas; and
- we have commenced feasibility studies on overseas markets as part of our marketing initiatives.

According to the consultation on August 6, 2019 with the ICP Authority, being the competent authority to confirm matters relating to the operation of telecommunications business, the officer of the ICP Authority confirmed that no applicable PRC laws and regulations have provided clear guidance or interpretation on the Qualification Requirements, that there is no clear guidance or interpretation on what steps could be taken to fulfill the Qualification Requirements, and that any application by a foreign investor to invest in a value-added telecommunications business in the PRC would be subject to a substantive examination by the ICP Authority in accordance with the approval procedures under PRC laws and regulations. Therefore, we have reasonably assessed the Qualification Requirements under all applicable laws and regulations and taken the steps as recommended by our PRC Legal Advisors. Based on the above and subject to the discretion of the ICP Authority on whether the Group has fulfilled the Qualification Requirements, our PRC Legal Advisors are of the view that the above steps taken by us are reasonable and appropriate for gradually building up a track record to meet the Qualification Requirements.

We will, as applicable and when necessary, disclose the progress of our overseas business plans and updates to the Qualification Requirements in our annual and interim reports to inform the Shareholders and other investors after the Listing. We will also make periodic inquiries to relevant PRC authorities to understand any new regulatory development and assess whether our level of overseas experience is sufficient to meet the Qualification Requirements.

Investment held by Shenzhen Yeahka

In addition to the Relevant Businesses of our Company, Shenzhen Yeahka also directly holds investment in certain entities in the PRC (the "**Relevant Entities**" and each a "**Relevant Entity**"), each of which (i) does not currently carry out business operations that are subject to foreign investment restrictions; however, it intends to invest or engage in potential businesses which are subject to foreign investment restrictions and has expressly rejected our Company's proposed transfer of the interest in these entities held by our Group to Yeahka WFOE; or (ii) does not currently carry out business operations that are subject to foreign investment restrictions; however, the transfer of its equity interest directly held by Shenzhen Yeahka is subject to other stakeholders' consent and assistance and the Company was unable to procure such consent/assistance. It would be impracticable to obtain the consent and/or the assistance from all of the relevant stakeholders required for our Company's proposed transfer of the interest in the Relevant Entity held by our Group to Yeahka WFOE.

CONTRACTUAL ARRANGEMENTS

Set out below is a summary of the Relevant Entities held by Shenzhen Yeahka:

No.	Name of the Relevant Entities	Interest held by our Group as of the Latest Practicable Date	Principal business and place of operation	Investment subject to foreign investment restrictions
<i>Relevant Entity intending to invest or engage in businesses which are subject to foreign investment restrictions</i>				
1. . . .	Shenzhen Chaomeng	10% equity interest held by Shenzhen Yeahka	mobile payment/PRC	No ⁽¹⁾
<i>Relevant Entities which do not currently carry out business operations that are subject to foreign investment restrictions</i>				
2. . . .	Shenzhen Xunxiang	10% equity interest held by Shenzhen Yeahka	SaaS services/PRC	No
3. . . .	Shenzhen Baida	10% equity interest held by Shenzhen Yeahka	software design and technology development/PRC	No

Notes:

(1) As of the Latest Practicable Date, Shenzhen Chaomeng is applying for an ICP License to carry out its Internet value-added services businesses, which are subject to foreign investment restrictions.

(2) The table above does not include minority shareholding in any entity which does not have business operations.

Compelling reasons to hold investment in Relevant Entities through Shenzhen Yeahka

In respect of Shenzhen Chaomeng, to the best knowledge and information of our Company, it does not currently carry out business operations that are subject to foreign investment restrictions; however, it is applying for an ICP License and has expressly rejected our Company's proposed transfer of the interest in Shenzhen Chaomeng held by the Group to Yeahka WFOE.

In respect of the remaining two Relevant Entities (the "**Other Relevant Entities**"): (i) Shenzhen Baida, and (ii) Shenzhen Xunxiang, to the best knowledge and information of our Company, they do not currently carry out business operations which are subject to foreign investment restrictions; however, transferring the interests held by Shenzhen Yeahka in these entities is subject to other stakeholders' consent and assistance and our Company was unable to procure such consent/assistance.

CONTRACTUAL ARRANGEMENTS

Other stakeholders' consent or assistance required for transferring our Group's investment interests from Shenzhen Yeahka to Yeahka WFOE

It is impracticable for our Group to transfer its pre-existing investment interests in the Relevant Entities directly held by Shenzhen Yeahka to Yeahka WFOE without consent and/or assistance from other stakeholders of the Relevant Entities. Pursuant to the Companies Law of the PRC (《中華人民共和國公司法》) and the articles of association of the Relevant Entities and the applicable PRC laws and regulations, any transfer of the interest in the Relevant Entities directly held by Shenzhen Yeahka and, if applicable, any resultant amendment to the Relevant Entities' articles of association require the consent and assistance of the other joint venture partners or shareholders.

Furthermore, in respect of the Relevant Entities in which Shenzhen Yeahka is merely a minority shareholder in each of the Relevant Entities, the influence that our Company or Shenzhen Yeahka could exert on the Relevant Entities or on lobbying and obtaining the consent and approvals of other shareholders for implementing the transfer of their investment interests to Yeahka WFOE is very limited.

Our Company has engaged in preliminary communication with the relevant joint venture partners and shareholders of each of the Relevant Entities in respect of our Company's proposal to transfer its investment interests directly or indirectly held by Shenzhen Yeahka to Yeahka WFOE; however, as of the Latest Practicable Date, such requests had been either rejected by the relevant parties or our Company was still awaiting response from such parties. Such communication process and its results were out of our Company's control.

Immateriality of the Other Relevant Entities to our Company's financial results and operating status

The Other Relevant Entities are immaterial to our Group in terms of their contribution to our Company's financial results and operating status for the following reasons:

- (a) Our Group's investment in the Other Relevant Entities does not form part of the principal business of our Group. Shenzhen Yeahka is only passive minority investors in the Other Relevant Entities and are not involved in their daily operations and management. We recognized share of profit/(loss) of investments accounted for using the equity method of RMB80,000, RMB85,000 and RMB(609,000) from Shenzhen Xunxiang and Shenzhen Baida during the Track Record Period, respectively, which had no material impact on our financial results; and
- (b) Our Company's interests in the Other Relevant Entities are classified as investments accounted for using the equity method in our Company's consolidated financial statements. The financial results of the Other Relevant Entities are not consolidated into our Company's consolidated financial statements. The Other Relevant Entities are primarily long-term investments of our Company. Our Company does not intend to and undertakes that it will not increase its investment or holding of equity interest in the Other Relevant Entities in the future. Given that our Company will not increase its holding in the Other Relevant Entities and with a view to limiting our Company's exposure in the Other Relevant Entities, our Company undertakes that, for so long the Other Relevant Entities are held under the contractual arrangements, our Company shall take all reasonable measures to procure that the Other Relevant Entities shall not contribute to more than 2% of our

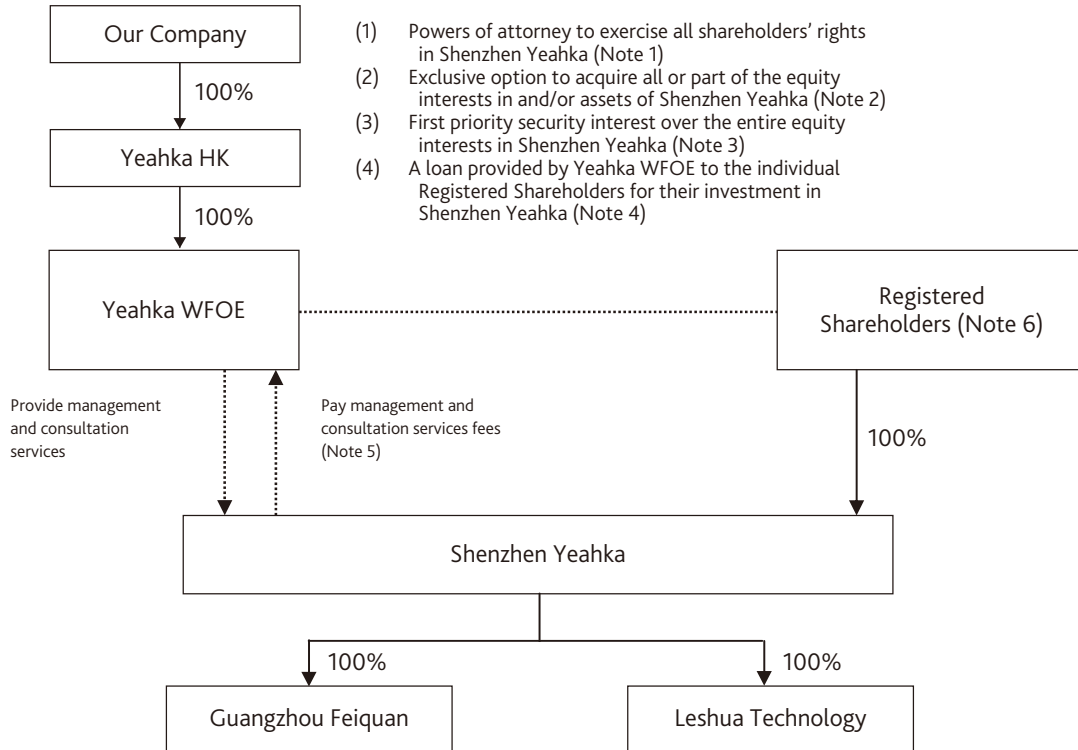
CONTRACTUAL ARRANGEMENTS

Company's net profit for any financial year nor account for more than 2% of our Company's total assets as of any financial year end. In particular, our finance department will closely monitor the financial results of the Other Relevant Entities on a periodic basis. If their contribution to our Company's net profit or our total assets is expected to exceed 2%, we will further negotiate with relevant joint venture partners and shareholders of the Other Relevant Entities to obtain their consent and assistance. Our Company confirms that our Group will cease to hold the Other Relevant Entities through the Contractual Arrangements once other stakeholders' consent for transferring the relevant investment has been obtained. Our Company further undertakes that, in the event that our Company proposes to acquire any business or equity interest in another company involving contractual arrangements, it will only do so in compliance with the Stock Exchange's Guidance Letter HKEX-GL77-14.

OUR CONTRACTUAL ARRANGEMENTS

Overview

The following simplified diagram illustrates the flow of economic benefits from Shenzhen Yeahka to our Group stipulated under the Contractual Arrangements.



CONTRACTUAL ARRANGEMENTS

Notes:

- (1) Please refer to "Contractual Arrangements — Powers of attorney" for details.
- (2) Please refer to "Contractual Arrangements — Exclusive Option Agreement" for details.
- (3) Please refer to "Contractual Arrangements — Equity Pledge Agreement" for details.
- (4) Please refer to "Contractual Arrangements — Loan Agreement" for details.
- (5) Please refer to "Contractual Arrangements — Exclusive Business Cooperation Agreement" for details.
- (6) As of the Latest Practicable Date, the Registered Shareholders are the following persons who together hold 100% of the equity interest of Shenzhen Yeahka:

<u>Shareholders</u>	<u>Registered Capital (RMB)</u>	<u>Approximate percentage of shareholding</u>
Mr. Liu	198,545,266	99.2726%
Mr. Qin	644,483	0.3223%
Shenzhen Tencent	750,000	0.375%
Penguin Financial	60,251	0.0301%
Total	200,000,000	100%

- (7) " → " denotes direct legal and beneficial ownership in the equity interests and " ····· " denotes contractual relationship.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among the parties thereto; (ii) by entering into the Exclusive Business Cooperation Agreement with Yeahka WFOE, our PRC Consolidated Entities will enjoy better economic and technical support from us, as well as a better market reputation after the Listing; and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

Exclusive Business Cooperation Agreement

Pursuant to the exclusive business cooperation agreement dated October 29, 2019 between Shenzhen Yeahka and Yeahka WFOE the (the "**Exclusive Business Cooperation Agreement**"), Yeahka WFOE agreed to be engaged as the exclusive provider to the PRC Consolidated Entities of technical support, consultation and other services for a monthly service fee, including the following services:

- the use of any relevant software and trademarks legally owned by Yeahka WFOE;
- development, maintenance and updating of software in respect of Shenzhen Yeahka's businesses;
- design, installation, daily management, maintenance and updating of network systems, hardware and database;
- providing technical support and professional training services to relevant staff of Shenzhen Yeahka;
- providing assistance in consultancy, collection and research of relevant technology and market information (excluding market research business that foreign-invested enterprises are prohibited from conducting under PRC laws and regulations);

CONTRACTUAL ARRANGEMENTS

- providing business management consultation;
- providing marketing and promotional services;
- providing customer order management and customer services;
- providing relevant investment, financing and risk control services;
- providing financial and legal consultative support services;
- assisting Shenzhen Yeahka with the transfer, leasing and disposal of equipment and properties; and
- other services negotiated and specified from time to time, based on Shenzhen Yeahka's actual business requirements and Yeahka WFOE's services capacity, to the extent permitted by PRC laws and regulations.

Under the Exclusive Business Cooperation Agreement, the service fee shall be of reasonable prices in accordance with the nature of the services, shall be further stipulated in separate service agreements, and shall consist of 100% of the total consolidated profit of the PRC Consolidated Entities, after deduction of any accumulated deficit of the PRC Consolidated Entities in the preceding financial year(s), working capital, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, Yeahka WFOE may adjust the scope and amount of service fees according to PRC tax law and tax practices, and Shenzhen Yeahka will accept such adjustments. Yeahka WFOE shall calculate the service fees on a monthly basis and issue a corresponding value-added tax invoice to Shenzhen Yeahka at the tax rate stipulated by current PRC laws and regulations regarding value-added tax. Notwithstanding the payment agreements in the Exclusive Business Cooperation Agreement, Yeahka WFOE may adjust the payment time and payment method, and Shenzhen Yeahka will accept any such adjustment.

In addition, absent the prior written consent of Yeahka WFOE, during the term of the Exclusive Business Cooperation Agreement, with respect to the services subject to the Exclusive Business Cooperation Agreement and other matters, the PRC Consolidated Entities shall not directly or indirectly accept the same or any similar services to be provided by any third party and shall not establish cooperation relationship similar to that formed by the Exclusive Business Cooperation Agreement with any third party. Yeahka WFOE may appoint other parties, who may enter into certain agreements with the PRC Consolidated Entities, to provide the PRC Consolidated Entities with the services under the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement also provided that Yeahka WFOE has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by the PRC Consolidated Entities during the performance of the Exclusive Business Cooperation Agreement.

The validity period of the Exclusive Business Cooperation Agreement commenced from October 29, 2019, and it shall remain effective unless terminated (a) in accordance with the provisions of the Exclusive Business Cooperation Agreement; (b) in writing by Yeahka WFOE; (c) when all the equity interests and assets of Shenzhen Yeahka have been legally transferred to Yeahka WFOE; or (d) if renewal of the expired business period of either Yeahka WFOE or Shenzhen Yeahka is denied by

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relevant government authorities, at which time the Exclusive Business Cooperation Agreement will terminate upon expiration of that business period.

Exclusive Option Agreement

Pursuant to the exclusive option agreement dated October 29, 2019 among Shenzhen Yeahka, Yeahka WFOE and the Registered Shareholders (the "**Exclusive Option Agreement**"), the Registered Shareholders irrevocably agreed to grant Yeahka WFOE an exclusive right to acquire, or designate one or more persons to acquire, from the Registered Shareholders any or all their equity interests then held in Shenzhen Yeahka, in whole or in part at any time, for a total consideration of RMB200,000,000, which equals to the registered capital of Shenzhen Yeahka. If Yeahka WFOE exercises its option right to acquire part of equity interests held by certain Registered Shareholder(s) in Shenzhen Yeahka, the purchase price shall be calculated in proportion to the equity interests being transferred. Furthermore, where the above purchase prices are higher than the lowest price permitted by the then PRC laws and regulations at the time of exercising options, the lowest price permitted by PRC laws and regulations shall be applied. Shenzhen Yeahka and the Registered Shareholders, among other things, have covenanted that:

- without the prior written consent of Yeahka WFOE, they shall not in any manner supplement, change or amend the constitutional documents of Shenzhen Yeahka, increase or decrease Shenzhen Yeahka's registered capital, or change the structure of Shenzhen Yeahka's registered capital in other manner;
- they shall maintain Shenzhen Yeahka's corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating Shenzhen Yeahka's business, and handling Shenzhen Yeahka's affairs. The annual budgeting and final accounting of Shenzhen Yeahka shall obtain the prior written consent of Yeahka WFOE;
- without the prior written consent of Yeahka WFOE, they shall not at any time following the date when the Exclusive Option Agreement came into effect sell, transfer, pledge or dispose of in any manner the equity shares of the PRC Consolidated Entities, or allow the encumbrance thereon of any security interest;
- without the prior written consent of Yeahka WFOE, they shall not at any time following the date when the Exclusive Option Agreement came into effect sell, transfer, pledge or dispose of in any manner any material assets of the PRC Consolidated Entities or legal or beneficial interest in the material business or revenues of the PRC Consolidated Entities of more than RMB30,000,000, or allow the encumbrance thereon of any security interest;
- without the prior written consent of Yeahka WFOE, the PRC Consolidated Entities shall not incur, inherit, guarantee or assume any debt, except for debts incurred in the ordinary course of business other than payables incurred by a loan and/or debt between Shenzhen Yeahka and its subsidiaries;
- the PRC Consolidated Entities shall always operate all of their businesses during the ordinary course of business to maintain their asset value and refrain from any action/omission that may adversely affect their operating status and asset value;
- without the prior written consent of Yeahka WFOE, they shall not cause the PRC Consolidated Entities to execute any material contract, except the contracts executed in the ordinary course of business;

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- without the prior written consent of Yeahka WFOE, the PRC Consolidated Entities shall not provide any person with any loan or credit, except for those provided by Shenzhen Yeahka to its wholly-owned subsidiaries;
- they shall provide Yeahka WFOE with information on the PRC Consolidated Entities' business operations and financial condition at the request of Yeahka WFOE;
- if requested by Yeahka WFOE, they shall procure and maintain insurance in respect of the PRC Consolidated Entities' assets and business from an insurance carrier acceptable to Yeahka WFOE, at an amount and type of coverage typical for companies that operate similar businesses;
- without the prior written consent of Yeahka WFOE, they shall not cause or permit the PRC Consolidated Entities to merge, consolidate with, acquire or invest in any person;
- they shall immediately notify Yeahka WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the PRC Consolidated Entities' assets, business or revenue;
- to maintain the ownership by the PRC Consolidated Entities of all of the PRC Consolidated Entities' assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- without the prior written consent of Yeahka WFOE, the PRC Consolidated Entities shall not in any manner distribute dividends to the PRC Consolidated Entities' shareholders, provided that upon the written request of Yeahka WFOE, the PRC Consolidated Entities shall immediately distribute all distributable profits to their shareholders;
- at the request of Yeahka WFOE, they shall appoint any persons designated by Yeahka WFOE as the directors, supervisors (if applicable) and senior management of the PRC Consolidated Entities;
- without the prior written consent of Yeahka WFOE, the PRC Consolidated Entities shall not engage in any business in competition with Yeahka WFOE or its affiliates; and
- unless otherwise mandatorily required by PRC laws, the PRC Consolidated Entities shall not be dissolved or liquidated without the prior written consent of Yeahka WFOE.

In addition, the Registered Shareholders, among other things, have covenanted that:

- without the prior written consent of Yeahka WFOE, they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Shenzhen Yeahka, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreement and the interests prescribed in the Powers of Attorney, and procure the shareholders' meeting and/or the board of directors of Shenzhen Yeahka not to approve such matters;

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- for each exercise of the equity purchase option, they shall cause the shareholders' meeting and/or the board of directors of Shenzhen Yeahka to vote on the approval of the transfer of equity interests and any other action requested by Yeahka WFOE;
- they shall relinquish the pre-emptive right (if any) he or she is entitled to in relation to the transfer of equity interest by any other shareholders to Yeahka WFOE and give consent to the execution by each other shareholder of Shenzhen Yeahka with Yeahka WFOE and Shenzhen Yeahka of exclusive option agreements, equity interest pledge agreements and powers of attorney similar to the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney, and accept not to take any action in conflict with such documents executed by the other shareholders; and
- each of the Registered Shareholders will transfer to Yeahka WFOE or its appointee(s) by way of gifting any profit, dividend or proceeds they receive from the liquidation of the PRC Consolidated Entities in accordance with the PRC laws and regulations.

The Registered Shareholders have also undertaken that, subject to the relevant laws and regulations, they will return to Yeahka WFOE any consideration they receive in the event that Yeahka WFOE exercise the options under the Exclusive Option Agreement to acquire the equity interests in the PRC Consolidated Entities.

The validity period of the Exclusive Option Agreement commenced from October 29, 2019 and it shall remain effective unless terminated (a) in accordance with the provisions of the Exclusive Option Agreement; (b) in writing by Yeahka WFOE; or (c) when the entire equity interests held by the Registered Shareholders or their successors or the transferees in Shenzhen Yeahka have been transferred to Yeahka WFOE or their appointee(s).

Equity Pledge Agreement

Pursuant to the equity pledge agreement dated October 29, 2019 entered into between Yeahka WFOE, Shenzhen Yeahka and each of the Registered Shareholders (collectively, the "**Equity Pledge Agreements**"), the Registered Shareholders agreed to pledge all their respective equity interests in Shenzhen Yeahka that they own, including any interest or dividend paid for the shares, to Yeahka WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

The pledge in respect of Shenzhen Yeahka took effect upon the completion of the change of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Registered Shareholders and Shenzhen Yeahka under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and Shenzhen Yeahka under the relevant Contractual Arrangements have been fully paid.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreement), unless such default is cured within 20 days following the Registered Shareholders or Shenzhen Yeahka's receipt of the written notice which requests the cure of such default, Yeahka WFOE shall have the right to exercise all such rights as a secured party under any applicable PRC laws and regulations and the Equity Pledge Agreements, including without limitation, being paid in priority

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with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interests upon written notice to the Registered Shareholders.

We will complete the change of registration of the Equity Pledge Agreements before the Listing.

Powers of Attorney

Each of the Registered Shareholders has executed a power of attorney dated October 29, 2019 (collectively, the "**Powers of Attorney**") pursuant to which each of the Registered Shareholders irrevocably appointed Yeahka WFOE and its designated persons (including but not limited to the Directors and their successors and liquidators replacing the Directors but excluding those who are non-independent or who may give rise to conflict of interests) as his or its attorney-in-fact to exercise on his or its behalf, and agreed and undertook not to exercise, any and all right that he or it has in respect of his or its equity interests in Shenzhen Yeahka, including without limitation:

- to attend shareholders' meetings of Shenzhen Yeahka and to execute meeting minutes;
- to file documents with the relevant registrar of companies;
- to exercise all the shareholder's rights and the shareholder's voting rights in accordance with law and the constitutional documents of Shenzhen Yeahka, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in Shenzhen Yeahka; and
- to nominate and appoint the legal representatives, directors, supervisors, general managers and other senior management of Shenzhen Yeahka.

Each of the Registered Shareholders has undertaken that he will not directly or indirectly participate in, engage in, involve in, own or be interested in any business which potentially competes with Yeahka WFOE or its affiliates without Yeahka WFOE's prior written consent.

Each of the individual Registered Shareholders has undertaken that in the event that he becomes a natural person without civil capacity or a natural person with limited capacity for civil activity due to any reasons, his representatives or successors shall continue to perform his obligations and enjoy the benefits under the Contractual Arrangements subject to the terms of the Powers of Attorney.

Each of the non-individual Registered Shareholders has undertaken that in the event that it becomes a legal person without civil capacity or a legal person with limited capacity for civil activity due to its liquidation or other reasons, its administrator shall continue to perform its obligations and enjoy the benefits under the Contractual Arrangements subject to the terms of the Powers of Attorney.

Further, the Registered Shareholders have been in compliance with the Powers of Attorney since October 29, 2019, and the Powers of Attorney shall remain effective for so long as he or it holds an equity interest in Shenzhen Yeahka.

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Loan Agreement

Yeahka WFOE, Mr. Liu and Mr. Qin entered into a Loan Agreement on October 29, 2019, pursuant to which Yeahka WFOE provided an RMB198,813,172 interest-free loan to Mr. Liu and an RMB1,186,828 interest-free loan to Mr. Qin for their investment in Shenzhen Yeahka.

The term of the Loan Agreement commenced on the date of entering into the Loan Agreement and shall be terminated when Yeahka WFOE exercises its exclusive option to acquire, or designate one or more persons to acquire, from the individual Registered Shareholders any or all their equity interests then held in Shenzhen Yeahka, as stipulated in the Exclusive Option Agreement. The loan will become due and payable under the following circumstances: (i) 30 days after receiving a written notice from Yeahka WFOE requesting repayment of the loan; (ii) the death or loss of civil capacity of the individual Registered Shareholders; (iii) the individual Registered Shareholders being engaged or involved in criminal activities; and (iv) Yeahka WFOE exercising its exclusive option to acquire, or designate one or more persons to acquire, from the individual Registered Shareholders any or all their equity interests then held in Shenzhen Yeahka pursuant to the Exclusive Option Agreement and the PRC foreign ownership restrictions applicable to the Group's business have been lifted. Mr. Liu's and Mr. Qin's contribution to the share capital of Shenzhen Yeahka is RMB198,813,172 and RMB1,186,828, respectively.

Confirmation and Undertakings from the Registered Shareholders

Each of the individual Registered Shareholders has confirmed and undertaken to the effect that in the event of his death, incapacity, divorce or any other event which causes his inability to exercise his rights as a shareholder of Shenzhen Yeahka, his successors, debtor, spouse or any other persons entitled to claim rights or interests in his equity interests in Shenzhen Yeahka (together with any other interests therein) will not take any actions in any circumstances in any way, if such actions are likely to affect or prevent such individual Registered Shareholder and/or Shenzhen Yeahka from performing their obligations under the Contractual Arrangements. Each of the individual Registered Shareholders has confirmed that (i) his spouse does not have the right to claim any interests in his equity interests in Shenzhen Yeahka (together with any other interests therein); (ii) his direct or indirect day-to-day management of and voting in Shenzhen Yeahka are not affected by his spouse; and (iii) in the event of his divorce, he will take all actions deemed necessary by Yeahka WFOE to safeguard the performance of the Contractual Arrangements.

Spouse Undertakings

The spouse of each of the individual Registered Shareholders, where applicable, has signed a letter of agreement on October 29, 2019 (collectively, the "**Spouse Undertakings**") to the effect, among others, that:

- (i) each spouse confirmed and agreed that the respective individual Registered Shareholder's existing and future equity interests in Shenzhen Yeahka (together with any other interests therein) are separate properties of the individual Registered Shareholder and do not fall within the scope of communal properties of such individual Registered Shareholder and his spouse; the respective individual Registered Shareholder is entitled to deal with his own equity interests and any interests therein in Shenzhen Yeahka in accordance with the Contractual Arrangements. The spouse of each of the individual Registered Shareholder confirmed that she will fully assist with the performance of the Contractual Arrangements at any time;

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- (ii) each spouse unconditionally and irrevocably waives any right or benefits on such equity interests and assets in accordance with applicable laws and confirms that she will not have any claim on such equity interests and assets; and she has not and does not intend to participate in the operation and management or other voting matters of Shenzhen Yeahka;
- (iii) each spouse confirmed that the respective individual Registered Shareholder may further amend or terminate the Contractual Arrangements or enter into other alternative documents without the need for authorization or consent by the spouse; and
- (iv) each spouse will enter into all necessary documents and take all necessary actions to ensure the due performance of Contractual Arrangements as amended from time to time.

Dispute resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Shenzhen Court of International Arbitration (the “SCIA”) for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be confidential and the language used during the arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that subject to the requirements under PRC laws and regulations, the arbitral tribunal may award remedies over the shares or assets of our PRC Consolidated Entities or assets of the Registered Shareholders (as the case may be) or injunctive relief (e.g. limiting the conduct of business, limiting or prohibiting the transfer or sale of shares or assets) or order the winding up of our PRC Consolidated Entities; Yeahka WFOE may apply to the courts of the PRC, Hong Kong, the Cayman Islands (being the place of incorporation of our Company), and the places where the principal assets of Yeahka WFOE or our PRC Consolidated Entities are located for interim remedies or injunctive relief.

However, our PRC Legal Advisors have advised that the above provisions may not be enforceable under PRC laws and regulations. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our PRC Consolidated Entities pursuant to current PRC laws and regulations. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. Even if the abovementioned provisions may not be enforceable under PRC laws and regulations, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

As a result of the above, in the event that the PRC Consolidated Entities or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our PRC Consolidated Entities and conduct our business could be materially and adversely affected. See “Risk Factors — Risks Relating to our Contractual Arrangements.”

Arrangements to address potential conflict of interest

Each of the Registered Shareholders has given their irrevocable undertakings in the Powers of Attorney which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. For further details, see the sub-paragraph headed “— Our Contractual Arrangements — Powers of Attorney” above.

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Loss Sharing

Under the relevant PRC laws and regulations, none of our Company and Yeahka WFOE is expressly legally required to share the losses of, or provide financial support to, our PRC Consolidated Entities. Further, each of our PRC Consolidated Entities is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Yeahka WFOE intends to continuously provide to or assist our PRC Consolidated Entities in obtaining financial support when deemed necessary. In addition, given that our Group conducts a substantial portion of its business operations in the PRC through the PRC Consolidated Entities, which hold the requisite PRC operational licenses and approvals, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if our PRC Consolidated Entities suffer losses.

However, as provided in the Exclusive Option Agreement, without the prior written consent of Yeahka WFOE, Shenzhen Yeahka shall not, among others, (i) sell, transfer, pledge or dispose of in any manner any of the equity shares of the PRC Consolidated Entities, or allow the encumbrance thereon of any security interest; (ii) sell, transfer, pledge or dispose of in any manner any of their material assets of more than RMB30,000,000; (iii) execute any material contract, except those entered into in the ordinary course of business; (iv) provide any loan, credit or guarantees in any form to any third party, or allow any third party to create any other security interests on its assets or equity, except for those provided by Shenzhen Yeahka to its wholly owned subsidiaries; (v) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business; (vi) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party; (vii) increase or reduce its respective registered capital, or alter the structure of its registered capital in any other way, or amend its articles of association; (viii) conduct any act or act of omission that may adversely affect its operation condition or value of assets; (ix) distribute any dividends to the Registered Shareholders; (x) conduct any business that competes with the business of Yeahka WFOE or its affiliates; or (xi) liquidate or dissolve. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on Yeahka WFOE and our Company in the event of any loss suffered from the PRC Consolidated Entities can be limited to a certain extent.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by the PRC laws and regulations, the Registered Shareholders shall give the proceeds they received from liquidation as a gift to Yeahka WFOE or its designee(s) to the extent permitted by the PRC laws and regulations.

Insurance

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. A detailed discussion of material risks relating to our Contractual Arrangements is set forth in "Risk Factors — Risks Relating to our Contractual Arrangements." We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as of the Practicable Date, the Company did not purchase any insurance to cover the risks relating to the Contractual Arrangements. For further details, see "Risk Factors — Risks Relating to our Business and Industry — We have limited insurance coverage and may incur losses resulting from business interruptions."

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Company's confirmation

As of the Latest Practicable Date, the Company had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through the PRC Consolidated Entities under the Contractual Arrangements.

Circumstances under which we will adjust or unwind the Contractual Arrangements

We will adjust or unwind (as the case maybe) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Business to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if the relevant government authority accepts applications for the ICP License, the Payment License and/or the approval to operate micro-credit business made by foreign-invested entities or for the change of a domestic institution into a foreign-invested one under relevant PRC laws and regulations.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisors are of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and do not constitute a breach of relevant PRC laws and regulations as:

- (a) each of Yeahka WFOE and the PRC Consolidated Entities is a duly incorporated and validly existing company, and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations; each of the individual Registered Shareholders is a natural person with full civil and legal capacity; and all parties to each of the Contractual Arrangements have obtained all necessary approvals and authorizations to execute and perform the Contractual Arrangements;
- (b) the parties to each of the Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder. Each of the agreements is binding on the parties thereto and none of them would be deemed as "concealment of illegal intentions with a lawful form" under the PRC Contract Law;
- (c) none of the Contractual Arrangements violates any provisions of the articles of association of our PRC Consolidated Entities or Yeahka WFOE;
- (d) each of the Contractual Arrangements is binding on the assignees or successors of the parties thereto;
- (e) the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that:
 - (i) the exercise of the option by Yeahka WFOE or its designee of its rights under the Exclusive Option Agreement to acquire all or part of the equity interests in Shenzhen Yeahka is subject to the approvals of and/or registration with the PRC regulatory authorities;
 - (ii) any share pledge contemplated under the Equity Pledge Agreement is subject to the registration with local administration bureau for industry and commerce; and

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- (iii) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by PRC courts before compulsory enforcement; and
- (f) each of the Contractual Arrangements is valid, legal and binding under PRC laws and regulations, except for the following provisions regarding dispute resolution and the liquidation committee:
 - (i) the Contractual Arrangements provide that any dispute shall be submitted to the SCIA for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Shenzhen. They also provide that the arbitrator may award interim remedies over the shares or assets of our PRC Consolidated Entities or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of our PRC Consolidated Entities; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC (being the place of incorporation of our PRC Consolidated Entities) shall also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of our PRC Consolidated Entities. However, our PRC Legal Advisors have advised that interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; and
 - (ii) the Contractual Arrangements provide that the Registered Shareholders undertake to appoint a committee designated by Yeahka WFOE as the liquidation committee upon the winding up of the PRC Consolidated Entities to manage their assets. However, in the event of a mandatory liquidation required by PRC laws and regulations or bankruptcy liquidation, these provisions may not be enforceable under PRC Laws and regulations.

Interviews with relevant government authorities

Representatives of our Company, our PRC Legal Advisors and PRC legal advisors of the Joint Sponsors have consulted the ICP Authority, the PBOC and the Micro Credit Authority. During the interview, the ICP Authority, the PBOC and the Micro Credit Authority provided verbal support on adoption of the Contractual Arrangements. Our PRC Legal Advisors have advised us that (i) such authorities are competent government authorities for our Company's principal business activities; (ii) the personnel consulted in the interview are competent and authorized to interpret the relevant PRC laws and regulations for the industries in which our Company operates its businesses and make the abovementioned verbal confirmations; and (iii) based on such consultations, the adoption of the Contractual Arrangements is unlikely to be ineffective or invalid under the applicable PRC laws and regulations. Our PRC Legal Advisors are of the view that the use of the Contractual Arrangements does not constitute a breach of the relevant PRC laws and regulations.

Based on the above analysis and advice from our PRC Legal Advisors, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be ineffective or invalid under the applicable PRC laws and regulations. See "Risk Factors — Risks Relating to our Contractual Arrangements."

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Relevance of Supreme People's Court Ruling and two arbitration decisions

We are aware of a Supreme People's Court ruling (the "**Supreme People's Court Ruling**") made in October 2012 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission made in 2010 and 2011 which invalidated certain contractual agreements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravened the prohibition against "concealing an illegitimate purpose under the guise of legitimate acts" set out in Article 52 of the PRC Contract Law and the General Provisions of the PRC Civil Law (《中華人民共和國民法總則》). It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC and (ii) the incentive for shareholders of Shenzhen Yeahka under such contractual structures to renege on their contractual obligations. Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations.

Our PRC Legal Advisors are of the view that the relevant terms of our Contractual Arrangements do not fall within the above five circumstances. In particular, our PRC Legal Advisors are of the view that the Contractual Arrangements would not be deemed as "concealing illegal intentions with a lawful form" such that they also do not fall within circumstance (iv) above under Article 52 of the PRC Contract Law because the Contractual Arrangements were not entered into for illegitimate purposes. The purposes of the Contractual Arrangements are (a) to enable Shenzhen Yeahka to transfer its economic benefits to Yeahka WFOE as service fees for engaging Yeahka WFOE as its exclusive service provider and (b) to ensure that the Registered Shareholders do not take any actions that are contrary to the interests of Yeahka WFOE. In accordance with Article 4 of the PRC Contract Law, which is a section of the Part One (General Principles) of the PRC Contract Law setting forth fundamental principles under the PRC Contract Law, the parties to the Contractual Arrangements have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right. In addition, the effect of the Contractual Arrangements, which is to allow our Company to be listed on the Stock Exchange while obtaining the economic benefits of Shenzhen Yeahka, is not for an illegitimate purpose, as evidenced by the fact that a number of currently listed companies also adopt similar contractual arrangements. In conclusion, the Contractual Arrangements do not fall within any of the five circumstances set forth in Article 52 of the PRC Contract Law.

Tax requirements relating to the Contractual Arrangements

In terms of tax requirements relating to the Contractual Arrangements, as advised by our PRC Legal Advisors, pursuant to the PRC Property Rights Law, Yeahka WFOE (as the pledgee) shall have the right to receive all yields accrued from the entire pledged equity interest in Shenzhen Yeahka, and which shall include dividends or other distributions declared to the Registered Shareholders and Yeahka WFOE will be subject to value-added tax and enterprise income tax upon the receipt of such dividends or distributions as service fees. Apart from the aforementioned taxes, our PRC Legal Advisors confirm that there are no other tax requirements in respect of the receipt of such dividend or other distribution as accrued from the entire pledged equity interest in Shenzhen Yeahka by Yeahka WFOE from the Registered Shareholders in the PRC. It is also confirmed that there is no legal impediment for our Group to fulfill the aforementioned tax requirements.

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ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of financial results of the PRC Consolidated Entities

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by Yeahka WFOE, Shenzhen Yeahka shall pay service fees to Yeahka WFOE. The service fees shall equal 100% of the total consolidated profit of the PRC Consolidated Entities, after deduction of any accumulated deficit of the PRC Consolidated Entities in the preceding financial year(s), working capital, expenses, taxes and other statutory contributions. Yeahka WFOE has the right to periodically receive or inspect the accounts of the PRC Consolidated Entities.

In addition, under the Exclusive Option Agreement, Yeahka WFOE has absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders, as Yeahka WFOE's prior written consent is required before any distribution can be made. If the Registered Shareholders receive any income, profit distribution or dividend, they shall promptly transfer or pay, as part of the service fees under the Exclusive Business Cooperation Agreement, such income, profit distribution or dividend to Yeahka WFOE or any other person designated by Yeahka WFOE to the extent permitted under applicable PRC laws and regulations.

As a result of the Contractual Arrangements between Yeahka WFOE, Shenzhen Yeahka and the Registered Shareholders, Yeahka WFOE is able to effectively control, recognize and receive all the economic benefit (after deduction of any accumulated deficit of the PRC Consolidated Entities in the preceding financial year(s), working capital, expenses, taxes and other statutory contributions) of the business and operations of the PRC Consolidated Entities. Accordingly, the PRC Consolidated Entities are treated as controlled structured entities of our Company and consolidated by our Company. The basis of consolidating the results of the PRC Consolidated Entities is disclosed in Note 2.2.1 to the Accountant's Report set out in Appendix I.

DEVELOPMENT IN LEGISLATION ON FOREIGN INVESTMENT IN MAINLAND CHINA

The FIL and the FIL Implementing Regulations

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "FIL") was adopted at the Second Session of the Thirteenth National People's Congress of the PRC on March 15, 2019 and came into force on January 1, 2020. The FIL replaced the former foreign investment legal foundation in the PRC consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law. On December 26, 2019, the State Council released 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》) (the "FIL Implementing Regulations"), which took effect on January 1, 2020. For details of the FIL and the FIL Implementing Regulations, see "Regulatory Overview — Regulations on M&A and Overseas Listing — Foreign Investment Law (2019)."

CONTRACTUAL ARRANGEMENTS

Impact of the FIL and the FIL Implementing Regulations

Conducting operations through contractual arrangements has been adopted by many PRC-based companies including us to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. The FIL, unlike the discussion draft of the proposed Foreign Investment Law of the People's Republic of China (《中華人民共和國外國投資法(草案徵求意見稿)》) published in January 2015 by the MOFCOM, does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC, and the FIL Implementing Regulations does not specify whether foreign investment includes contractual arrangements. The FIL and the FIL Implementing Regulations are relatively new. The interpretation and implementation of the FIL and FIL Implementing Regulations might differ from our understanding. Our PRC Legal Advisors are of the view that given the FIL and the FIL Implementing Regulations do not explicitly prohibit or restrict a foreign restricted business to be controlled by contractual arrangements, the validity of our Contractual Arrangements may not be affected. See "Risk Factors — Risks Relating to our Contractual Arrangements — Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations." for further details of risks relating to the FIL and the FIL Implementing Regulations. In any event, we will take reasonable steps in good faith to seek compliance with the FIL and the FIL Implementing Regulations.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (a) major issues arising from the implementation of and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in its annual reports; and
- (d) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board with reviewing the implementation of the Contractual Arrangements, and review the legal compliance of Yeahka WFOE and the PRC Consolidated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

DIRECTORS AND SENIOR MANAGEMENT

Directors

The following table sets forth certain information regarding our Directors:

Name	Age	Position(s)	Date of Joining our Group	Date of Appointment	Roles and Responsibilities	Relationship with Other Directors or Senior Management
Liu Yingqi (劉穎麒)	43	Chairman of our Board, chief executive officer and Executive Director	September 8, 2011	September 8, 2011	Formulating the overall development strategies and business plans and overseeing the management and strategic development of our Group	None
Zhou Lingli (周伶俐)	42	Chief strategy officer and Executive Director	March 9, 2015	March 9, 2015	Formulating strategic plans, and overseeing the investment and financing, investor relations, market branding and public relations of our Group	None
Yao Zhijian (姚志堅)	39	Chief financial officer and Executive Director	October 24, 2011	January 3, 2019	Overseeing the financial and accounting affairs of our Group, capital and financial management and assisting the chief executive officer in organizational structure of our Group	None
Mathias Nicolaus Schilling	47	Non-executive Director	March 9, 2015	March 9, 2015	Providing advice to the overall development of our Group	None
Hirofumi Ono (小野裕史)	45	Non-executive Director	August 13, 2019	August 13, 2019	Providing advice to the overall development of our Group	None
Tam Bing Chung Benson (譚秉忠)	56	Independent Non-executive Director	December 6, 2019	December 6, 2019	Providing independent advice and judgment to our Board	None
Yao Wei (姚衛)	43	Independent Non-executive Director	December 6, 2019	December 6, 2019	Providing independent advice and judgment to our Board	None
Yang Tao (楊濤)	46	Independent Non-executive Director	December 6, 2019	December 6, 2019	Providing independent advice and judgment to our Board	None

DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Our senior management team, in addition to the executive Directors listed above, comprises the following:

Name	Age	Position(s)	Date of Joining our Group	Date of Appointment	Roles and Responsibilities	Relationship with Directors or other Senior Management
Luo Xiaohui (羅小輝)	37	Chief architect	October 2018	December 2018	Overseeing our Group's technical architecture, planning and management of technology innovation, and managing the architecture committee and AI Lab	None
Wu Gang (吳剛) . . .	38	Deputy general manager and general manager of policy development department	April 2016	April 2016	Overseeing the management of the policy development department and general corporate governance and compliance matters	None

DIRECTORS

Our Board currently consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. The functions and duties of our Board include convening general meetings, implementing the resolutions passed at general meetings, determining business and investment plans, formulating our annual financial budget and financial accounts, and formulating our proposals for profit distributions as well as exercising other powers, functions and duties as conferred by the Articles of Association.

Executive Directors

Mr. Liu Yingqi (劉穎麒), aged 43, is our chairman, chief executive officer and executive Director. He was appointed as our Director on September 8, 2011 and was re-designated as executive Director on November 4, 2019. He is responsible for formulating the overall development strategies and business plans and overseeing the management and strategic development of our Group. Mr. Liu is the chairman of the Nomination Committee and a member of the Remuneration Committee of our Company. He is also a director of Yeahka HK since October 2011, a director and the general manager of Shenzhen Yeahka since September 2013 and August 2012 respectively, the general manager of Yeahka WFOE since April 2012 and a director of Leshua Technology since July 2013.

Mr. Liu has around 20 years of experience in corporate management and information technology. Prior to joining our Group, Mr. Liu has served as the general manager of Shenzhen Tenpay Technology Company Limited (深圳市財付通科技有限公司) (currently known as Tenpay Payment Technology Co., Ltd. (財付通支付科技有限公司)), an online payment platform company founded by Tencent, from August 2006 to December 2011, during which he was employed by two Tencent Group companies respectively. He has been assigned the role of general manager of the online payment department in Tencent Digital (Tianjin) Co., Ltd. (騰訊數碼(天津)有限公司) from January 2008 to

DIRECTORS AND SENIOR MANAGEMENT

December 2011 and role of general manager in Tencent Technology (Shenzhen) Co., Ltd. (騰訊科技(深圳)有限公司), being responsible for supervising and managing the online payment of Tencent group companies, from May 2001 to December 2007. Mr. Liu was an engineer of Huawei Technologies Co., Ltd. (華為技術有限公司), a communication technology company, from June 2000 to April 2001.

Mr. Liu graduated from Changsha University of Science & Technology (長沙理工大學), formerly known as Changsha Communications College (長沙交通學院), with a bachelor's degree in computer application, in June 1999.

Mr. Liu was awarded Shenzhen Municipal Government local leading talents (深圳市政府地方級領軍人才) in 2009, an award which recognizes the contribution of talents from different industries.

Ms. Zhou Lingli (周伶俐), aged 42, was appointed as our Director on March 9, 2015 and re-designated as our executive Director on November 4, 2019. She was appointed as the chief strategy officer of our Company on February 2016 and is responsible for formulating strategic plans, and overseeing the investment and financing, investor relations, market branding and public relations of our Group. Ms. Zhou has been the chief strategy officer and senior vice president of Shenzhen Yeahka and Leshua Technology since February 2016 and January 2016 respectively.

Ms. Zhou has over 15 years of experience in the financial sector. Prior to joining our Group, Ms. Zhou was a managing director of CSOP Asset Management Limited (南方東英資產管理有限公司) from September 2012 to December 2015. She served as an executive director of Goldman Sachs (Asia) L.L.C. (高盛(亞洲)有限責任公司) from August 2009 to September 2012. From April 2005 to August 2008, Ms. Zhou was as an associate and subsequently associate director of UBS AG Hong Kong Branch. She worked at Reuters Limited Beijing Bureau from April 2000 to August 2003.

Ms. Zhou graduated from Tianjin University (天津大學), with a bachelor's degree in engineering (systems engineering), in July 1999. She further obtained a master's degree in business administration from the Hong Kong University of Science and Technology in 2005.

Mr. Yao Zhijian (姚志堅), aged 39, was appointed as our Director on January 3, 2019 and was re-designated as an executive Director on November 4, 2019. He was appointed as chief financial officer of our Company on October 24, 2011 and is responsible for overseeing the financial and accounting affairs of our Group, capital and financial management and assisting the chief executive officer in organizational structure of our Group. Mr. Yao has been the chief financial officer and senior vice president of Shenzhen Yeahka since he joined our Group in October 2011 and the general manager of the finance department of Leshua Technology since October 2013, where he was responsible for the capital and financial management. He has also been a director of Yeahka HK since December 2018.

Mr. Yao has over 15 years of experience in the financial and accounting industry. Prior to joining our Group, Mr. Yao first served as an accountant and was promoted to financial officer of Shenzhen Baode Shipping Co., Ltd. (深圳市保得海運有限公司), a shipping company, from December 2004 to October 2011 with his last position being the chief financial officer. He was the tax supervisor of Walmart Business Consulting (Shenzhen) Co., Ltd. (沃爾瑪商業諮詢(深圳)有限公司), a company engaged in global retail, from January 2004 to December 2004. From August 2002 to December 2003, he served as the financial officer of Shenzhen Zhongtianyuan Industry Co., Ltd. (深圳市中天元實業有限公司), a concrete processing company.

Mr. Yao graduated from South China University of Technology (華南理工大學), with a bachelor's degree in accounting computerization, in December 2006 through self-learning. He obtained the qualification of Intermediate Accountant (中級會計師) from the Ministry of Finance of the People's Republic of China in May 2004.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Mathias Nicolaus Schilling, aged 47, was appointed as our Director on March 9, 2015 and re-designated as our non-executive Director on November 4, 2019. He is responsible for providing advice to the overall development of our Group. As of the Latest Practicable Date, Mr. Schilling held 47.5% of the total issued share capital in e.ventures Growth GP, LLC, the general partner of e.ventures Growth, L.P. which held approximately 2.02% of the total issued share capital in our Company.

Mr. Schilling has been a managing director of e.ventures Management, LLC., eVenture Capital Partners II LLC and BV Capital Management, LLC since June 2014, September 2011 and June 2000 respectively. One of the funds under e.ventures Management, LLC. is a shareholder of our Group. He has over 18 years of experience in venture capital investment in the area of telecommunications, media and technology.

Mr. Schilling graduated from University of St. Gallen in Switzerland, with a diploma in economics and business administration in February 1998.

Mr. Hirofumi Ono (小野裕史), aged 45, was appointed as our Director on 13 August 2019 and re-designated as our non-executive Director on November 4, 2019. He is responsible for providing advice to the overall development of our Group. As of the Latest Practicable Date, Mr. Ono held 90% interest in eGuy & Goodman LLP, which in turn held 36.75% in each of IVP Fund II A (GP), Ltd. and IVP Fund II B (GP), Ltd., the respective general partners of IVP Fund II A L.P. and IVP Fund II B L.P. which in aggregate held approximately 7.77% of the total issued share capital in our Company.

Mr. Ono has over 15 years of management experience in internet services. He has been the executive director of 17 Media Japan Inc., an internet service company, since June 2017. From October 2014 to May 2017, he served as a non-executive director in Pinkoi K.K., an internet service company. He is also an executive director of another internet service company, Farfetch Japan Co., Limited, from July 2014 to April 2015 and was re-appointed as executive director in March 2016. From October 2010 to July 2014, Mr. Ono served as an executive director in IVP Fund II B (GP). Ltd., one of our Substantial Shareholders and an investment company. He started his role as an executive director of IVP Fund B (GP). Ltd. from October 2008 to July 2014. He also served as an executive director of Jimoty, Inc. from February 2011 to October 2011 and of CA Mobile Ltd from December 2002 to January 2008, respectively, both an internet service company.

Mr. Ono graduated from University of Tokyo in Japan, with a master's degree in biological science and a bachelor's degree in science in March 2000 and March 1998 respectively.

Independent Non-executive Directors

Mr. Tam Bing Chung Benson (譚秉忠), aged 56, was appointed as our independent non-executive Director on December 6, 2019. He is responsible for providing independent advice and judgment to our Board. Mr. Tam is a member of the Audit Committee, Remuneration Committee and Nomination Committee of our Company.

Mr. Tam has been a director of Podinn Hotel Zhejiang Co., Ltd (布丁酒店浙江股份有限公司), a hotel management company listed on National Equities Exchange and Quotations (NEEQ: 839121), since September 2019. He is also an independent non-executive director of Longhui International Holdings Limited (龍輝國際控股有限公司) (stock code: 1007.HK), a China-based company principally engaged in catering business, since March 1, 2019. He has also been an independent director of Momo Inc. (ticker symbol: MOMO), the shares of which are listed on NASDAQ, since

DIRECTORS AND SENIOR MANAGEMENT

December 2014. Mr. Tam is the chairman of Venturous Group, a China-based family investment platform since May 2013. He was a partner of Fidelity Growth Partners Asia (formerly known as Fidelity Asia Ventures), a venture capital firm, from February 2002 to February 2012.

Mr. Tam obtained a master's degree in science from University of Oxford in July 1986 and a bachelor's degree in science (engineering) in civil engineering from Imperial College of Science and Technology of the University of London in August 1984.

Mr. Tam is a member of The Institute of Chartered Accountants in England and Wales since September 1989.

Mr. Yao Wei (姚衛), aged 43, was appointed as our independent non-executive Director on December 6, 2019. He is responsible for providing independent advice and judgment to our Board. Mr. Yao is the chairman of the Audit Committee and Remuneration Committee, and a member of the Nomination Committee of our Company.

Mr. Yao has over 15 years of management experience in technology industry. Mr. Yao has been appointed as the legal representative of Guangzhou Aiwei Technology Development Co., Ltd. (廣州艾威科技發展有限公司), a research and development company, since March 2020. He has also been one of the partners and subsequently served as the deputy general manager of Evertech Technology Limited (廣州艾威儀器科技有限公司), a solution-provider of precision equipment and software based in South China region, since February 2013. From April 2010 to February 2013, Mr. Yao was the South China Regional Manager of GE (China) Co., Ltd. Analysis Instrument (通用電氣(中國)有限公司). He has also served as the South China Regional Manager of Varian Technology China Limited Guangzhou representative office (美國瓦里安技術中國有限公司廣州代表處) from July 2006 to April 2010. Mr. Yao was the sales manager (South China region) of Southeast Chemical Instrument Ltd (東南化學儀器有限公司), an analytical instrument supplier, from September 2002 to July 2006.

Mr. Yao graduated from Nanjing University (南京大學) with a bachelor's degree in science (chemistry) in July 1999. He further obtained a master's degree in science (organic chemistry) from Sun Yat-Sen University (中山大學) in July 2002.

Mr. Yang Tao (楊濤), aged 46, was appointed as our independent non-executive Director on December 6, 2019. He is responsible for providing independent advice and judgment to our Board. Mr. Yang is a member of the Audit Committee of our Company.

Mr. Yang was the independent non-executive director of Ping An Securities Group (Holdings) Limited (stock code: 231.HK), a company listed in Hong Kong and principally engaged in the provision of securities dealing and financial services, from February 2018 to November 2019. He is also the independent non-executive director of Bank of Jiujiang Co., Ltd (stock code: 6190.HK), a China-based commercial bank principally engaged in providing financial services to small and micro enterprises, individual business owners and the general public, since August 2017. Mr. Yang is a Ph.D. mentor of Chinese Academy of Social Sciences (中國社會科學院) ("CASS") since November 2014, and is also currently a director of the Research Centre for Payments and Settlements under CASS, responsible for research and development of payment supervision, organization, products and technology. He has been a researcher in the Institute of Finance, CASS since August 2003, focusing on research areas such as macro-economic policies, financial markets, financial technology and payment settlement.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yang graduated from Nanjing University of Science and Technology (南京理工大學) with a bachelor's degree in engineering (major in industrial foreign trade) in 1995. He further obtained a master's degree in economics from the Research Institute for Fiscal Science (currently known as the Chinese Academy of Fiscal Sciences (中國財政科學研究院)) in July 2000 and a Ph.D. in economics from the graduate school of CASS in July 2003.

Mr. Yang has been a qualified and registered lawyer and a certified public accountant in the PRC since March 2000 and December 2002 respectively.

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Mr. Tam served as a director of Beijing Zhongsou Zaixian Software Co. Ltd. (北京中搜在綫軟件有限公司) ("**Beijing Zhongsou**"), a provider of software applications and search engine services, which was dissolved in December 10, 2013. As confirmed by Mr. Tam, the shareholders of Beijing Zhongsou resolved to cease its business operations when the enterprise was solvent due to a reorganization for the operating entity to get listed on National Equities Exchange and Quotations (NEEQ).

Mr. Tam confirmed that, to the best of his knowledge, (i) Beijing Zhongsou was solvent immediately prior to its dissolution and had no outstanding claim or liabilities; (ii) he has not received any notification in respect of penalty, action or proceeding from the PRC authorities as a result of the dissolution; and (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution.

Save as disclosed above, none of our Directors holds or has held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus. Please refer to the section headed "Statutory and General Information" in Appendix IV for further information about our Directors, including the particulars of their service contracts and remuneration, and details of the interests of our Directors in the Shares (within the meaning of Part XV of the SFO).

Save as disclosed herein, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other material matters relating to our Directors that need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Our executive Directors and senior management are responsible for the day-to-day management and operation of our business. Information concerning our executive Directors is shown in "— Directors — Executive Directors" above.

Mr. Luo Xiaohui (羅小輝), aged 37, was appointed as our chief architect (首席架構師) in December 2018 and is primarily responsible for overseeing our Group's technical architecture, planning and management of technology innovation, and managing the architecture committee and AI Lab. Mr. Luo joined our Group in October 2018 and has been holding the position of chief architect of Shenzhen Yeahka since December 2018. Mr. Luo has over 13 years of experience in the information technology sector. Prior to joining our Group, Mr. Luo was a vice president of the technology department of Shenzhen Kuiyuan Technology Co., Ltd (深圳市葵園科技有限公司), a company engaged

DIRECTORS AND SENIOR MANAGEMENT

in software and information technology services from October 2015 to August 2018. From July 2004 to August 2014, he served various position and was promoted to deputy director of Development Center of Tencent Technology (Shenzhen) Co., Ltd. (騰訊科技(深圳)有限公司), an internet-based technology and cultural enterprise headquartered in Shenzhen, China.

Mr. Luo graduated from Sichuan University (四川大學) with a bachelor's degree in electronic information engineering in July 2004.

Mr. Wu Gang (吳剛), aged 38, was appointed as our deputy general manager and general manager of policy development department in April 2016 and is primarily responsible for overseeing the management of the policy development department and general corporate governance and compliance matters. Mr. Wu joined our Group as vice president of Leshua Technology in April 2016 and was promoted to general manager in April 2018. Prior to joining our Group, Mr. Wu worked in Tencent Technology (Beijing) Co., Ltd. (騰訊科技(北京)有限公司) for 11 years. He first served in the bank strategy group and business development group in Tencent Technology Co., Ltd. (騰訊科技有限公司), from August 2006 to June 2007. From June 2007 to March 2016, he served in financial cooperation centre, Beijing cooperation center, policy finance group and Beijing regulatory group, and was then promoted and held the senior consultant position for payment platform and financial application from April 2016 to November 2018 in Tencent Technology (Beijing) Co., Ltd. (騰訊科技(北京)有限公司).

COMPANY SECRETARY

Ms. Mak Po Man Cherie (麥寶文), has been appointed as our company secretary with effect from Listing.

Ms. Mak is the Vice President of SWCS Corporate Services Group (Hong Kong) Limited. She has worked for various professional firms and listed companies in Hong Kong, with over 15 years of experience in the fields of audit, accounting, corporate finance, compliance and corporate secretarial. Ms. Mak obtained a Master of Corporate Governance degree from The Hong Kong Polytechnic University in 2017. She has been admitted as an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom in 2017, a member of the Hong Kong Institute of Certified Public Accountants in 2003, and a fellow member of the Association of Chartered Certified Accountants in 2006.

BOARD COMMITTEES

Audit Committee

Our Company has established an Audit Committee (with effect from the Listing Date) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely Mr. Yao Wei, Mr. Tam Bing Chung Benson and Mr. Yang Tao, our independent non-executive Directors. Mr. Yao Wei has been appointed as the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process, review and oversee the existing and potential risks of our Group and perform other duties and responsibilities as assigned by our Board.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

Our Company has established a Remuneration Committee (with effect from the Listing Date) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee has three members, namely Mr. Yao Wei, Mr. Liu and Mr. Tam Bing Chung Benson. Mr. Yao Wei, our independent non-executive Director, has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

Nomination Committee

Our Company has established a Nomination Committee (with effect from the Listing Date) with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of two independent non-executive Directors, being Mr. Yao Wei and Mr. Tam Bing Chung Benson and one executive Director, being Mr. Liu, who is the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

BOARD DIVERSITY

We have adopted our Board diversity policy ("**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity on our Board in order to enhance the effectiveness of our Board. Our Board Diversity Policy provides that our Company should endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to our Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service. Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant code governing board diversity under the Corporate Governance Code. After Listing, our Nomination Committee will review our Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of our Board Diversity Policy on an annual basis.

Our Board comprises eight members, including three executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including overall management and strategic development, business and risk management, and finance and accounting experiences. Our Board has a wide range of age, ranging from 39 years old to 56 years old. Furthermore, one of our executive Directors, Ms. Zhou Lingli, is female. After due consideration, our Board believes that based on the meritocracy of our Directors, the composition of our Board satisfies our Board Diversity Policy.

DIRECTORS AND SENIOR MANAGEMENT

WAIVER GRANTED BY THE STOCK EXCHANGE

Management Presence

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please see “Waivers from Strict Compliance with the Listing Rules — Waiver in relation to Management Presence in Hong Kong.”

CORPORATE GOVERNANCE

Our Directors recognize the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the deviation from the code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Mr. Liu is the chairman of our Board and the chief executive officer of our Company and he has been managing our Group’s business and supervising the overall operations of our Group since 2011. Our Directors consider that vesting the roles of the chairman of our Board and the chief executive officer of our Company in Mr. Liu is beneficial to the management and business development of our Group and will provide a strong and consistent leadership to our Group. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save for disclosed in this section, our Group is in compliance with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

COMPENSATION OF OUR DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive remuneration from our Company in the form of fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind.

The aggregate amount of remuneration our Directors have received (including fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind) for the years ended December 31, 2017, 2018 and 2019 was approximately RMB3.2 million, RMB3.8 million and RMB4.7 million, respectively.

The aggregate amount of fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind paid to our five highest paid individuals of our Company, including Directors, during the years ended December 31, 2017, 2018 and 2019, was approximately RMB35.8 million, RMB11.1 million and RMB10.8 million, respectively.

It is estimated that remuneration and benefits in kind equivalent to approximately RMB5.0 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2020 under arrangements in force as at the date of this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2017, 2018 and 2019. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of the years ended December 31, 2017, 2018 and 2019 by our Group to the Directors.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management on which, following the Listing, advice will be received from the Remuneration Committee taking into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of our Group.

COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our compliance advisor (the "**Compliance Advisor**") upon listing of our Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will provide advice to us when consulted by us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date and this appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Share Subdivision and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares that may be issued pursuant to the RSU Scheme, the following persons will have an interest or a short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly 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 meetings of our Company or any of our subsidiaries:

Name of shareholder	Name of company	Nature of interest	Shares held as of the date of this prospectus		Immediately after the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised)	
			Number of Shares or securities held	Approximate percentage of interest in our Company or our subsidiary	Number of Shares or securities held	Approximate percentage of interest in our Company or our subsidiary
Mr. Liu ^(Note 3)	The Company	Interest in controlled corporation/ founder of a discretionary trust	41,427,691	52.43%	165,710,764	39.95% ^(Note 2)
Ms. Luo Haiying ^(Note 4)	The Company	Interest of spouse	41,427,691	52.43%	165,710,764	39.95% ^(Note 2)
Liu FT Trustee ^(Note 3)	The Company	Trustee of a trust	41,427,691	52.43%	165,710,764	39.95% ^(Note 2)
Brock Nominees Limited ^(Note 3)	The Company	Nominee of another person	41,427,691	52.43%	165,710,764	39.95% ^(Note 2)
Tenby Nominees Limited ^(Note 3)	The Company	Nominee of another person	41,427,691	52.43%	165,710,764	39.95% ^(Note 2)
Liu FT Nominee ^(Note 3)	The Company	Interest in controlled corporation	41,427,691	52.43%	165,710,764	39.95% ^(Note 2)
Brocade Creation ^(Note 3)	The Company	Interest in controlled corporation	41,427,691	52.43%	165,710,764	39.95% ^(Note 2)
Creative Brocade International ^(Note 3)	The Company	Beneficial owner	41,427,691	52.43%	165,710,764	39.95% ^(Note 2)
IVP Fund II A, L.P. ^(Note 5 and 6)	The Company	Beneficial owner	4,021,321	5.09%	16,085,284	3.88% ^(Note 2)

SUBSTANTIAL SHAREHOLDERS

Name of shareholder	Name of company	Nature of interest	Shares held as of the date of this prospectus		Immediately after the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised)	
			Number of Shares or securities held	Approximate percentage of interest in our Company or our subsidiary	Number of Shares or securities held	Approximate percentage of interest in our Company or our subsidiary
IVP Fund II B, L.P. (Note 5 and 6)	The Company	Beneficial owner	2,117,687	2.68%	8,470,748	2.04% ^(Note 2)
IVP Fund II A (GP), Ltd (Note 5 and 6)	The Company	Interest of controlled corporation	4,021,321	5.09%	16,085,284	3.88% ^(Note 2)
IVP Fund II B (GP), Ltd (Note 5 and 6)	The Company	Interest of controlled corporation	2,117,687	2.68%	8,470,748	2.04% ^(Note 2)
Growth Tree Ltd (Note 5)	The Company	Interest of controlled corporation	6,139,008	7.77%	24,556,032	5.92% ^(Note 2)
Mr. Tanaka Akio (Note 5)	The Company	Interest of controlled corporation	6,139,008	7.77%	24,556,032	5.92% ^(Note 2)
eGuy & Goodman LLP (Note 6)	The Company	Interest in controlled corporation	6,139,008	7.77%	24,556,032	5.92% ^(Note 2)
Mr. Hirofumi Ono (Note 6)	The Company	Interest of controlled corporation	6,139,008	7.77%	24,556,032	5.92% ^(Note 2)
Ms. Yumi Ono (Note 6)	The Company	Interest of controlled corporation	6,139,008	7.77%	24,556,032	5.92% ^(Note 2)
RSU Nominee 2 (Note 7)	The Company	Nominee of another person	6,237,996	7.89%	24,951,984	6.02% ^(Note 2)
RSU Trustee (Note 7)	The Company	Trustee of a trust	9,613,238	12.17%	38,452,952	9.27% ^(Note 2)
Mr. Liu	Shenzhen Yeahka	Beneficial owner	RMB198,545,266 registered capital	99.27%	RMB198,545,266 registered capital	99.27%
Mr. Li Zhi'ang	Hangzhou Qingni	Beneficial owner	RMB2,000,000 registered capital	40.00%	RMB2,000,000 registered capital	40.00%

SUBSTANTIAL SHAREHOLDERS

Notes:

1. All interests stated are long positions.
2. The calculation is based on the total number of 414,802,672 Shares in issue after the completion of the Share Subdivision and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares underlying the RSUs that may fall to be issued pursuant to the RSU Scheme).
3. Creative Brocade International is owned as to (i) 99.9% by Brocade Creation, which is wholly-owned by Liu FT Nominee, the holding vehicle used by Liu FT Trustee (the trustee of the Liu Family Trust); and (ii) 0.1% by Creative Brocade, which is wholly-owned by Mr. Liu. The Liu Family Trust is a discretionary trust established by Mr. Liu (as the settlor) and the discretionary beneficiary of which includes Mr. Liu. Liu FT Nominee is owned by two nominees of the Liu FT Trustee, namely Brock Nominees Limited and Tenby Nominees Limited. Therefore, each of Mr. Liu, Liu FT Trustee, Brock Nominees Limited, Tenby Nominees Limited, Liu FT Nominee and Brocade Creation is deemed under the SFO to be interested in these 165,710,764 Shares held by Creative Brocade International upon the Listing.
4. Ms. Luo Haiying, the spouse of Mr. Liu, is deemed under the SFO to be interested in these 165,710,764 Shares in which Mr. Liu is deemed to be interested upon the Listing.
5. Assuming the Series-A Preferred Shares are converted into the Shares on a one-for-one basis, each of IVP Fund II A, L.P. and IVP Fund II B, L.P. shall hold 16,085,284 Shares and 8,470,748 Shares, representing approximately 3.88% and 2.04% of the total issued share capital of our Company, respectively, upon Listing. As of the Latest Practicable Date, Growth Tree Ltd, which was wholly-owned by Mr. Tanaka Akio, held 63.25% of the total issued share capital in each of IVP Fund II A (GP), Ltd and IVP Fund II B (GP), Ltd, the respective general partners of IVP Fund II A, L.P. and IVP Fund II B, L.P. Therefore, Growth Tree Ltd and Mr. Tanaka Akio are deemed to be interested in the 16,085,284 and 8,470,748 Shares held by IVP Fund II A, L.P. and IVP Fund II B, L.P., respectively, for the purpose of Part XV of the SFO.
6. Assuming the Series-A Preferred Shares are converted into the Shares on a one-for-one basis, each of IVP Fund II A, L.P. and IVP Fund II B, L.P. shall hold 16,085,284 Shares and 8,470,748 Shares, representing approximately 3.88% and 2.04% of the total issued share capital of our Company, respectively, upon Listing. As of the Latest Practicable Date, eGuy & Goodman LLP, whose interest is held as to 90% and 10% by Mr. Hirofumi Ono and Ms. Yumi Ono (the spouse of Mr. Hirofumi Ono), respectively, held 36.75% of the total issued share capital in each of IVP Fund II A (GP), Ltd and IVP Fund II B (GP), Ltd, the respective general partners of IVP Fund II A, L.P. and IVP Fund II B, L.P. Therefore, eGuy & Goodman LLP, Mr. Hirofumi Ono and Ms. Yumi Ono are deemed to be interested in the 16,085,284 and 8,470,748 Shares held by IVP Fund II A, L.P. and IVP Fund II B, L.P., respectively, for the purpose of Part XV of the SFO.
7. RSU Trustee directly holds the entire issued share capital of each of RSU Nominee 1 and RSU Nominee 2. RSU Nominee 1 and RSU Nominee 2 hold 13,500,968 and 24,951,984 underlying Shares in respect of the RSUs granted and to be granted under the RSU Scheme for the benefit of eligible participants pursuant to the RSU Scheme, respectively.

Save as disclosed above and in "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interests" in Appendix IV, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly 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 meetings of any other member of our Group.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized share capital of our Company as of the Latest Practicable Date and immediately following the completion of the Global Offering:

Authorized share capital

	<u>Shares</u>	<u>Total nominal value</u>
		US\$
As of the Latest Practicable Date	107,179,644	10,717.9644
Immediately following the completion of the Global Offering .	<u>1,000,000,000</u>	<u>25,000.0000</u>

The following is a description of the issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Global Offering:

Issued share capital

<u>Shares</u>	<u>Description of Shares</u>	<u>Nominal Value</u>	<u>Total nominal value</u>
		US\$	US\$
79,019,668	Shares in issue as of the date of this prospectus	0.0001	7,901.9668
316,078,672	Shares in issue after the Share Subdivision	0.000025	7,901.9668
98,724,000	Shares to be issued pursuant to the Global Offering	0.000025	2,468.1000
<u>414,802,672</u>	Total	<u>0.000025</u>	<u>10,370.0668</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Law and the terms of our Memorandum and Articles of Association, our Company may from time to time by ordinary resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem its share capital by special resolution. For more details, please see "Summary of the Constitution of our Company and Cayman Companies Law — Articles of Association — 2.5 Alteration of capital" in Appendix III.

Pursuant to the Cayman Companies Law and the terms of our Memorandum and Articles of Association, all or any of the special rights attached to the Shares or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, please see "Summary of the Constitution of our Company and Cayman Companies Law — Articles of Association — 2.4 Variation of rights of existing shares or classes of shares" in Appendix III. Further, our Company will also hold general meetings from time to time as may be required under the Articles, a summary of which is set out in "Summary of the Constitution of our Company and Cayman Companies Law" in Appendix III.

GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

Subject to the conditions stated in "Structure of the Global Offering — Conditions of the Global Offering", our Directors have been granted general unconditional mandates to issue and repurchase our Shares.

For further details of these general mandate, please see "Statutory and General Information — A. Further Information About our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on April 30, 2020" in Appendix IV.

RSU SCHEME

We have conditionally adopted the RSU Scheme. The principle terms of the RSU Scheme are summarized in "Statutory and General Information — D. Share Incentive Schemes — 2. RSU Scheme" in Appendix IV.

FINANCIAL INFORMATION

OVERVIEW

We are a leading payment-based technology platform in China providing payment and business services to merchants and consumers. Our services include:

- *One-stop payment services*, which consist of (i) app-based payment services where we enable our customers to accept payments using our mobile apps, or when consumers pay our merchant customers through third-party e-wallets, and (ii) traditional payment services, where we enable customers to accept non-cash payments that do not belong to app-based payments, including accepting card payments with traditional payment terminals; and
- *Technology-enabled business services*, which consist of a rich variety of value-added services, including (i) merchant SaaS products, which help customers improve their operational efficiency, (ii) marketing services, allowing customers to effectively reach their target markets, and (iii) fintech services, which cater to our customers' financial needs.

During the Track Record Period, we experienced significant growth. Our GPV increased from RMB232.8 billion in 2017 to RMB778.9 billion in 2018, and further to RMB1,500.3 billion in 2019, with a CAGR of 153.8%. In 2017, 2018 and 2019, our revenue increased from RMB304.7 million to RMB992.9 million and further to RMB2,258.0 million, representing a CAGR of 172.2%. We incurred net loss of RMB342.0 million and RMB182.8 million in 2017 and 2018, respectively, and we had net profit of RMB84.7 million in 2019. Our adjusted net loss was RMB33.5 million in 2017. Our adjusted net profit reached RMB39.5 million in 2018 and further increased to RMB301.0 million in 2019.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The principal factors that directly or indirectly affect our business, financial conditions, results of operations and prospects include:

- General economic conditions and prospect of small and medium enterprises;
- Ability to retain customers;
- Cross-selling;
- Pricing policy;
- Ability to offer new products and services; and
- Relationship with partners and suppliers.

FINANCIAL INFORMATION

General Economic Conditions and Prospect of small and medium enterprises

Our operating results depend upon the overall level of economic conditions and consumer spending in China, which affect our transaction volume as well as the expansion of our customer base. In 2019, small and medium enterprises contributed over 60% of China's GDP. Consumption has also played an increasingly important role in China's economy, with its contribution to real GDP reached 40% in 2018. We primarily serve merchants of small and micro sizes, which have historically been underserved by financial institutions and have relatively limited access to payment services and financing. As a result, our results of operations mainly depend upon the growth and the prospects of micro and small merchants in China. As of December 31, 2019, we had approximately 5.3 million active payment service customers. Compared to their large-sized counterparts, these micro and small merchants are generally engaged in businesses across a diverse set of industries and have limited financial resources, making them more susceptible to the overall market and economic conditions in China.

Ability to Retain Customers

During the Track Record Period, most of our revenue was derived from our one-stop payment services. We offer our one-stop payment services to a large number of customers. The GPV we process is crucial for our revenue and profit. Our GPV growth has been largely driven by the expansion of our customer base. In 2017, 2018 and 2019, our GPV amounted to RMB232.8 billion, RMB778.9 billion and RMB1,500.3 billion, respectively. In addition to the market and economic conditions discussed above, the GPV we process is also affected by our market share and customer base, and our ability to attract high-value customers. As of December 31, 2019, we had one of the largest customer bases among independent payment service providers in China, with approximately 5.3 million active payment service customers on our platform. We believe that there is still a huge potential to further expand our customer base and our market share.

Cross-selling

Leveraging the resources accumulated through our one-stop payment services, we have developed and offered a wide variety of technology-enabled business services, including merchant SaaS products, marketing services and fintech services, for both merchants and consumers. In 2017, 2018 and 2019, we generated 1.7%, 2.5% and 7.8% of our revenue, and 4.0%, 8.4% and 18.1% of our gross profit from our technology-enabled business services, respectively. As of December 31, 2019, over 90% of our business service customers were converted from payment service customers. Our payment service customers represent a sizable opportunity to cross-sell products and services with little incremental sales and marketing expense. We believe that our merchant SaaS products, marketing services and fintech services would enable us to further increase engagement with our payment service customers. We plan to continually invest in product development and sales and marketing to increase the awareness and usage of these services. As a result, our results of operations depend upon our ability to cross-sell our technology-enabled business services and develop and introduce new products and services to our existing payment service customers.

Pricing Policy

Pricing for our products and services is also essential to our operating results. The service fee rate we charge is largely driven by market competition and affected by regulatory requirements.

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We operate in evolving markets, characterized by strong 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 or enhance existing products and services. Market players may offer more attractive terms to business partners, including distribution channels or other channel partners to gain better access to potential customers. Mergers and acquisitions by these companies may lead to even larger competitors with more resources. Market players may also offer lower prices for products and services, or more effectively introduce innovative products and services.

Our pricing is also affected by changes in market conditions. Since the introduction of a market-based service fee mechanism in 2016, the service fee rate for a third-party payment service provider like us is largely market-driven. We retain our service fee based on our agreements with customers and our service fee rate is typically determined with reference to the type of card used for payment, the nature of the customer's industry and the settlement mode.

Ability to Offer New Products and Services

The third-party payment industry has experienced rapid technological innovation. We expect that new products, services and technologies applicable to the industries in which we operate will continue to emerge and evolve. Rapid and significant technological changes continue to shape the industries in which we operate, including developments in ecommerce, mobile commerce, and proximity payment devices. Other potential changes are on the horizon as well, such as developments in artificial intelligence and big data. Similarly, there is rapid innovation in the provision of other products and services to businesses, including business services. These new services and technologies may be superior to, impair, or render obsolete the products and services we currently offer, or the technologies we currently use to provide them.

We will continue to invest in product development to incorporate new technologies into our products and services. This may require substantial expenditures and considerable time, and we may not be successful in realizing a return on these development efforts in a timely manner or at all. Our return on any new products or services we develop and offer to our customers depends on our ability to achieve significant commercial acceptance. Our ability to develop new products and services is affected by several factors including industry-wide standards, payment card networks, laws and regulations, resistance to change from customers and third parties' intellectual property rights.

Relationship with Partners and Suppliers

Partners and suppliers are critical to our business. We collaborate with distribution channels, payment networks, financial institutions and payment terminals suppliers, for their sales network, payment gateways, financial services and payment terminals. 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.

We collaborate with distribution channels to develop and maintain relationships with merchants, and to introduce our products and services to them in a manner that is consistent with our standards and applicable regulatory requirements. Our commission to distribution channels has historically been an important part of our cost of revenue. Our ability to expand our customer base through our distribution channels while controlling commission paid to them and customer acquisition costs is critical to our results of operations in the future. In addition, our costs of payment

FINANCIAL INFORMATION

processing and cost of offering fintech services depend on our collaboration with payment networks and financial institutions. Our purchase costs of payment terminals also depend on our cooperation with our major payment terminals suppliers.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with IFRS issued by International Accounting Standards Board and is presented in RMB unless otherwise stated. We have elected to apply IFRS 9, IFRS 15, and IFRS 16 consistently throughout the Track Record Period. Our historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

Our Company is an investment holding company incorporated in the Cayman Islands with limited liability. During the Track Record Period, the subsidiaries now comprising our Group were involved in the principal activities of one-stop payment services and technology-enabled business services in the PRC through Shenzhen Yeahka and its subsidiaries. In May 2012, our subsidiary, Yeahka WFOE was incorporated in the PRC. As a result of the Contractual Arrangements among Yeahka WFOE, Shenzhen Yeahka and the Registered Shareholders, Yeahka WFOE has rights to variable returns from its involvement with Shenzhen Yeahka and has the ability to affect such returns through its power over Shenzhen Yeahka. Therefore, Shenzhen Yeahka was accounted for as a subsidiary of our Company. See "Contractual Arrangements."

In preparation for the Global Offering, we have undergone a series of corporate reorganizations. See "History, Reorganization and Corporate Structure."

ADOPTION OF IFRS 9, IFRS 15 AND IFRS 16

Our historical financial information has been prepared based on the underlying financial statements, in which IFRS 9, "Financial instruments" ("**IFRS 9**"), IFRS 15, "Revenue from contracts with customers" ("**IFRS 15**") and IFRS 16, "Leases" ("**IFRS 16**") have been adopted using the full retrospective method and applied consistently since the beginning of, and throughout, the Track Record Period.

Given that the Track Record Period spans from January 1, 2017 to December 31, 2019, by which time IFRS 9, IFRS 15 and IFRS 16 would be mandatorily applied, we have adopted IFRS 9, IFRS 15 and IFRS 16 in lieu of IAS 18 "Revenue" ("**IAS 18**")/IAS 11 "Construction contract" ("**IAS 11**") and IAS 39 "Financial Instruments: Recognition and Measurement" ("**IAS 39**") and IAS 17 "Leases" ("**IAS 17**") in the preparation of our financial statements, such that our historical financial information prepared under IFRS 9, IFRS 15 and IFRS 16 is comparable on a period to period basis.

We have carried out internal assessments based on the principles set out in IAS 18/IAS 11, IAS 39 and IAS 17, and set forth below certain estimated key impact on our consolidated financial position and performance if IAS 18/IAS 11, IAS 39 and IAS 17 were adopted instead:

IFRS 9

Classification of financial assets

IFRS 9 addresses the classification of financial assets. We did not have such investments that classified as "available-for-sale financial assets" and the adoption of IFRS 9 would not result in the presentation of financial assets.

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Measurement of financial liabilities

IFRS 9 requires financial liabilities measured at fair value need to recognize the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss. Our directors considered that the adoption of IFRS 9 did not have significant impact in measurement of financial liabilities.

Adoption of new impairment model

IFRS 9 requires the recognition of impairment provisions of financial assets measured at amortized cost based on expected credit losses. We assessed that the adoption of the new impairment methodology would not result in significant difference in bad debt provision and the adoption of IFRS 9 did not have any significant impact on the Group's consolidated financial position and performance as compared with IAS 39.

IFRS 15

Presentation of contract liabilities

IFRS 15 requires separate presentation of contract liabilities in the consolidated statements of financial position. Contract liabilities in relation to unsatisfied performance obligations should have been presented as "advances from customers" under IAS 18. Should IAS 18 be applied throughout the Track Record Period, RMB10,049,000, RMB72,178,000 and RMB25,910,000 would be reclassified as advances from customers as of December 31, 2017, 2018 and 2019.

Accounting for certain incremental costs of obtaining a contract and fulfilling a contract

IFRS 15 requires an entity shall recognize as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs, also requires an entity shall recognize an asset from the costs incurred to fulfil a contract which generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future. Under IAS 11, such contract cost were recognized as an asset as the cost are attributable to contract activity in general and can be allocated to the contract.

Our directors considered that the adoption of IFRS 15 as compared to the requirements of IAS 18/IAS 11 did not have any significant impact on our consolidated financial position and performance during the Track Record Period, except for reclassification in relation to advances from customers to contract liabilities.

IFRS 16

Presentation of right-of-use assets and lease liabilities

IFRS 16 requires almost all leases being recognized on the consolidated statements of financial position by lessees, as the distinction between operating and finance leases is removed. The only exceptions are short-term and low-value leases. The right-of-use asset is subsequently measured at cost, less accumulated depreciation and any accumulated impairment losses; and the lease liability is subsequently measured using the effective interest rate method. As of December 31, 2017, 2018 and 2019, we recognized right-of-use assets of RMB5,964,000, RMB18,877,000 and RMB26,532,000 and

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lease liabilities of RMB6,172,000, RMB19,413,000 and RMB27,780,000 on the consolidated statements of financial position, respectively. Accordingly, the depreciation charges of right-of-use assets and the interest expense on lease liabilities were recognized in the consolidated statements of comprehensive income. These leases would not have been qualified for recognition as assets or liabilities, should IAS 17 have been applied throughout the Track Record Period.

The adoption of IFRS 16 has impact on the recognition of right-of-use assets and lease liabilities as well as the recognition of depreciation charges of right-of-use assets and the interest expense on lease liabilities. However, the amounts of such impacts were not significant to our consolidated financial statements.

Based on above assessment, the adoption of IFRS 9, IFRS 15 and IFRS 16 did not have significant impacts to our consolidated financial position and performance during the Track Record Period, except for reclassification in relation to advances from customers to contract liabilities under IFRS 15 as disclosed above.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies and estimates that are significant to the preparation of our financial statements in accordance with IFRS. Some of our accounting policies involve subjective assumptions, estimates and judgments that affected the application of policies and reported amounts of assets, liabilities, revenues and expenses, as well as their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could, in the future, result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities affected. When reviewing our financial statements, the following factors should be considered: (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Our significant accounting policies and judgements made by management which have significant effect on our financial condition and results of operations are set forth in detail in Note 2 and Note 4 to the Accountant's Report as set out in Appendix I. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. We set forth below the accounting policies, estimates and judgments that we believe are critical to the preparation of our financial statements.

Revenue Recognition

We principally derive revenue from one-stop payment services and technology-enabled business services.

One-stop payment services

We recognize payment service revenue at a point in time, upon completion of the payment service for each transaction.

FINANCIAL INFORMATION

We considered that we act as a principal in offering payment services as we (i) are the primary obligor in the arrangement, (ii) have latitude in establishing the selling price, i.e. service fee rate, (iii) have involvement in the determination of product or services specifications and (iv) have discretion in the selection of distribution channels to assist our payment services and to maintain relationship with merchants and to handle their enquiries about our services. We share our service revenue with distribution channels in accordance with the service agreements entered into with them and the related commissions are recognized as the cost of revenue of the payment services.

Service revenue is recognized for each payment transaction handled by us at an amount calculated based on the total payment volume made by the consumers and the respective applicable service fee rate, net of the interchange fee for payment networks, inclusive of a processing fee payable to issuers. The service fee rate is determined based on the agreements entered between us and our payment customers.

Technology-enabled business services

Leveraging on the established customer base with merchants for the one-stop payment services, we also provide a series of value-added technology-enabled business services such as (i) provision of various merchant SaaS products with scenario-specific functionalities integrated with the payment services, (ii) provision of online marketing services by delivering performance based marketing services to merchants on the payment platforms, (iii) provision of off-line marketing services to merchant service providers, (iv) provision of technology services to insurance companies through our technology platform and (v) provision of small-sized loans to merchants and consumers through the cooperation with banks and trust companies.

Revenues for (i), (ii), (iii) and (iv) above are recognized at a point of time when products and services are delivered, while interest income for (v) is recognized based on the pre-determined borrowing rates over the respective loan periods.

Contract liabilities

We occasionally charge our payment customers one-off and upfront entry fees ("**Entry Fees**") for their future use of our payment services. We initially record Entry Fees as a contract liability and then recognize it as revenue ratably over the estimated average service relationship period of the payment customers, which is within one year during the Track Record Period. Such Entry Fees charged to payment customers are typically determined with reference to estimated initial fees to be incurred for the customers, such as payment terminal cost and installation fees.

We also sell coupons to some payment customers, which enable them to offset the payment service charges payable to us for the one-stop payment services. The coupons are sold at a price lower than their respective face value. The amounts received/receivable from the payment customers are recorded as a contract liability and they are then recognized as revenue when the coupons are utilized by the payment customers to offset the payment service charges payable to us.

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Financial Assets

Classification

We classify our financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- Those to be measured at amortized cost.

The classification depends on our business model for managing the financial assets and the contractual terms of the cash flows.

Measurement

At initial recognition, we measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“**FVPL**”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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 our business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which we classify our debt instruments: (i) 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; (ii) 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 fair value through other comprehensive income (“**FVOCI**”); and (iii) assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. Currently, our debt instruments consist of other receivables, restricted cash and cash and cash equivalents.

Equity instruments

We subsequently measure all equity investments at fair value. Where our management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when our right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in “other (losses)/ gains, net” in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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Impairment

We have following assets subject to IFRS 9's new expected credit loss model:

- Trade and other receivables;
- Restricted cash;
- Cash and cash equivalents; and
- Financial guarantee contracts.

We apply the IFRS 9 simplified approach to measuring expected credit losses ("**ECL**") which uses a lifetime expected loss allowance for all trade receivables.

We assess on a forward-looking basis the ECL associated with our debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL. To manage risk arising from cash and cash equivalents, we only transact with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Impairment testing of other receivables is described in Note 3.1(b) to the Accountant's Report as set out in Appendix I.

Fair Value Estimation of Financial Assets and Liabilities at Fair Value Through Profit and Loss

The table below analyzes our financial instruments carried at fair value as of December 31, 2017, 2018 and 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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The following table presents our liabilities that are measured at fair value as of December 31, 2017.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Preferred Shares	–	–	922,103	922,103

The following table presents our liabilities that are measured at fair value as of December 31, 2018.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Preferred Shares	–	–	1,179,180	1,179,180

The following table presents our assets and liabilities that are measured at fair value as of December 31, 2019.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Preferred Shares	–	–	1,373,447	1,373,447
Contingent Consideration	–	–	41,046	41,046

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

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During the years ended December 31, 2017, 2018 and 2019, there was no transfer between level 1 and 2 for recurring fair value measurements. The significant unobservable inputs used to determine the fair value and the fair value changes in level 3 financial instruments during the Track Record Period are presented in Notes 30 and 33 to the Accountant's Report as set out in Appendix I.

Valuation processes of our Group (Level 3)

A team in the finance department of our Group performs the valuations of financial instruments required for financial reporting purposes, including the Level 3 fair values. This team reports directly to the Chief Financial Officer ("CFO"). Discussions of valuation processes and results are held between the CFO and the valuation team at least once year.

At each financial year end the finance department:

- verifies all major inputs to the valuation report;
- assesses valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Changes in Level 3 fair values are analyzed at each reporting date during the yearly valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

The carrying amounts of our financial assets and liabilities including cash and cash equivalents, trade and other receivables, accounts payables, other payables and borrowings approximate to their fair values due to their short maturities.

In relation to the valuation of the financial assets and financial liabilities measured at fair value through profit or loss categorized within level 3, our Directors have engaged an independent valuer to perform the valuation of the contingent consideration in relation to the acquisition of TuoZhanbao Finance and the Preferred Shares. To ensure that the independent valuer made independent and accurate valuation, we have taken steps including but not limited to (i) obtaining and reviewing the credentials of the independent valuer and the relevant qualifications and experience of its core team members; (ii) checking that the independent valuer and its experts were not connected with our Group or any of our Directors and management; and (iii) providing all material documents and information that were likely to affect the valuation to the independent valuer which were true, accurate and complete.

Based on the foregoing, our Directors believe that the independent valuer was independent from our Company, was suitably qualified and had the relevant expertise and resources to conduct the valuation of the purchase price allocation of the acquisition of TuoZhanbao Finance and the Preferred Shares, and the relevant valuation reports issued by the independent valuer are reliable to our Group.

Details of the financial assets and financial liabilities measured at fair value through profit or loss categorized within level 3, the key assumptions used to determine their fair value, and a quantitative sensitivity analysis of the fair value measurements of these financial instruments to changes in unobservable inputs are set forth in notes 19 and 30 to the Accountant's Report issued by

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our reporting accountant in accordance with the Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Report on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants, as set forth in Appendix I to this prospectus. The historical financial information in the Accountant’s Report gives a true and fair view of the financial position of the Group and its financial performance and its cash flows for the Track Record Period as a whole, as set forth on I-2 of Appendix I to this prospectus.

In relation to the financial assets and financial liabilities measured at fair value through profit or loss categorized within level 3, the Joint Sponsors have taken the necessary due diligence steps including but not limited to (i) reviewing the valuation reports prepared by the independent valuer; and (ii) discussing with our Company, our reporting accountant and the independent valuer the key valuation assumptions and methodologies for the valuation of financial assets and financial liabilities recognized at fair value through profit or loss.

The Joint Sponsors considered that appropriate steps have been taken by our Company and our reporting accountant in carrying out the level 3 fair value estimation for the contingent consideration in relation to acquisition of TuoZhanbao Finance and the Preferred Shares and that our Company has not unduly relied on the valuation reports prepared by the independent valuer.

Convertible Redeemable Preferred Shares

We issue convertible Preferred Shares which give options to holders a right for redemption into cash after specified timing or a right for conversion into ordinary shares. The convertible Preferred Shares will also be automatically converted into ordinary shares upon occurrence of certain events.

We designated the Preferred Shares as financial liabilities at fair value through profit or loss. The Preferred Shares are classified as non-current liabilities or current liabilities depending on whether the Preferred Shares holders can demand our Company to redeem the Preferred Shares for cash at least 12 months after the end of the reporting period or not. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the consolidated income statements.

Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognized in profit or loss.

We have used the discounted cash flow method to determine the underlying share value of our Company and adopted binomial option-pricing method and equity allocation model to determine the fair value of the Preferred Shares as of the dates of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the fair value of the Preferred Shares are as follows:

	Year ended December 31,		
	2017	2018	2019
Discount rate	20.40%	19.30%	18.80%
Risk-free interest rate	3.86%-3.87%	2.73%-2.90%	2.41%-2.74%
Discounts for lack of marketability (“DLOM”)	15.00%	15.00%	10.00%
Volatility	29.28%-29.55%	31.37%-31.63%	30.80%-31.71%

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Discount rate was estimated by weighted average cost of capital as of each appraisal date. We estimated the risk-free interest rate based on the yield of China Government Bond Yield with a maturity life equal to period from the respective appraisal dates to expected liquidation date. Volatility was estimated at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry for a period from the respective appraisal dates to expected liquidation date.

Fair value of Preferred Shares is affected by changes in our Company's equity value. If our Company's equity value had decreased by 5% with all other variables held constant, the loss before income tax for the years ended December 31, 2017 and 2018 and the profit before income tax for the year ended December 31, 2019 would have been approximately RMB42,335,000 lower, RMB56,367,000 lower and RMB66,302,000 higher, respectively. If our Company's equity value had increased by 5% with all other variables held constant, the loss before income tax for the years ended December 31, 2017 and 2018 and the profit before income tax for the year ended December 31, 2019 would have been approximately RMB42,531,000 higher, RMB56,553,000 higher and RMB66,392,000 lower, respectively.

Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGUs containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Impairment tests for goodwill related to acquisition of Tuozhanbao Finance

Goodwill acquired in a business combination is allocated to the CGU that are expected to benefit from that business combination.

The carrying amounts of goodwill allocated to the CGU of Tuozhanbao Finance are RMB145.8 million as of December 31, 2019. Based on the result of the goodwill impairment test, the estimated recoverable amount of Tuozhanbao Finance CGU was determined to be higher than its carrying amount by RMB56.2 million as of December 31, 2019. Accordingly, no impairment provision was required to be made as of December 31, 2019.

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Key assumptions used for determination of recoverable amount are set out below:

Gross profit margin	37.2%-40.3%
Terminal value growth rate	3.0%
Pre-tax discount rate	67.4%

The revenue growth rate applied are 39.0%, 25.7%, 4.7%, 4.7% and 4.7% for each of the five years from 2020 to 2024, respectively. A terminal growth rate of 3%, which is based on the expected inflation rate, has been applied to the terminal year's cash flow. 67.4% pre-tax discount rate was applied, which reflected the nature and stage of development of the underlying business acquired and also the returns required by our Company in the acquisition.

Our Directors had performed a sensitivity analysis on the key assumptions used in management's impairment test of goodwill. Had the estimated gross profit margin and estimated discount rate during the forecast period been 7.1% lower and 18.3% higher respectively, the recoverable amount would have been equal to the carrying amount. Any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

Share-based Benefits

We operate several equity-settled share-based compensation plans, under which we receive service from our employees in exchange for the equity instruments of our Company. As disclosed in Note 32 to the Accountant's Report as set out in Appendix I, we granted equity-settled share options to certain employees and the fair value of the employee service received in exchange for the grant of share options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Including any market performance conditions (e.g., the entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (e.g., the requirement for employees to save or holding shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The grant by our Company of its equity instruments to the employees of its subsidiaries is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

If the terms of an equity-settled award are modified, at a minimum an expense is recognized as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognized for that award, as at the date of forfeiture, is treated as if it had never been recognized. At the same time, any expense previously recognized on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

At the end of each period, we revise our estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. We recognize the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Recognition of Share-based Compensation Expenses

The fair value of options is determined by the binomial option-pricing model at the grant date, and is expected to be expensed over the respective vesting period. Significant estimate on assumptions, including risk-free interest rate, expected volatility and dividend yield are made by our Directors with the assistance of an independent valuer.

Business Combination

Business combinations other than under common control are accounted for under the acquisition method. The determination and allocation of fair values to the identifiable assets acquired, which mainly include customer relationship and determination of goodwill is based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates as well as the assumptions and estimates used to determine the cash inflows and outflows. We determine discount rates to be used based on the risk inherent in the related activity's current business model of the acquired business and the industry comparisons. Although we believe that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material. See Note 33 to the Accountant's Report as set out in Appendix I for details.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth our consolidated statements of comprehensive income in absolute amounts and as percentages of revenue for the years indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenue	304,688	100.0	992,891	100.0	2,258,019	100.0
Cost of revenue	(186,542)	(61.2)	(723,356)	(72.9)	(1,610,984)	(71.3)
Gross profit	118,146	38.8	269,535	27.1	647,035	28.7
Selling expenses	(53,567)	(17.6)	(66,581)	(6.7)	(66,869)	(3.0)
Administrative expenses	(91,467)	(30.0)	(84,053)	(8.5)	(129,564)	(5.7)
Research and development expenses . .	(24,250)	(8.0)	(87,121)	(8.8)	(78,400)	(3.5)
Impairment losses on financial assets .	(356)	(0.1)	(1,472)	(0.1)	(27,411)	(1.2)
Other incomes	445	0.1	3,205	0.3	4,983	0.2
Other (losses)/gains – net	(1)	(0.0)	(352)	(0.0)	2,922	0.1
Operating (losses)/profits	(51,050)	(16.8)	33,161	3.3	352,696	15.6
Finance costs	(5,950)	(2.0)	(3,963)	(0.4)	(5,615)	(0.3)
Share of profits/(losses) of investments accounted for using the equity method	35	0.0	(3,943)	(0.4)	(14,521)	(0.6)
Fair value changes of convertible redeemable preferred shares	(275,712)	(90.5)	(213,216)	(21.5)	(181,521)	(8.0)
(Loss)/profit before income tax	(332,677)	(109.2)	(187,961)	(18.9)	151,039	6.7
Income tax (expenses)/credit	(9,347)	(3.1)	5,167	0.5	(66,376)	(2.9)
(Loss)/profit for the year attributable to:						
Equity holders of the Company	(342,024)	(112.3)	(182,794)	(18.4)	84,663	3.8
Non-IFRS Measure: Adjusted net (loss)/profit ⁽¹⁾	(33,511)	(11.0)	39,507	4.0	301,016	13.3

Note:

(1) We define adjusted net (loss)/profit as (loss)/profit for the year adjusted by adding (i) fair value changes of the Preferred Shares, (ii) share-based compensation expenses and (iii) listing expenses. See “— Non-IFRS Measures and Key Financial Ratios.”

NON-IFRS MEASURES AND KEY FINANCIAL RATIOS

We adopt the adjusted net (loss)/profit, which is not required by or presented in accordance with IFRS as an additional financial measure to supplement our consolidated financial statements. We believe that the non-IFRS measure facilitates comparisons of operating performance from period to period and company to company, by eliminating potential impacts of items that our management does not consider indicative of our operating performance. We believe that the non-IFRS measure provides 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 the adjusted net (loss)/profit may not be comparable to similarly titled measures presented by other companies. The use of the non-IFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

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The non-IFRS measures used by us are adjusted for (i) fair value changes of the Preferred Shares, (ii) share-based compensation expenses and (iii) listing expenses. Fair value changes of the Preferred Shares are neither related to our ordinary course of business nor indicative of our ongoing core operating performance. The Preferred Shares will be automatically converted into ordinary shares upon completion of the Global Offering and we do not expect to record further expenses in relation to valuation changes in such instruments after the Listing. Share-based compensation expenses are non-operational expenses arising from granting share options to selected employees, the amount of which may not directly correlate with the underlying performance of our business operations. Listing expenses are one-off expenses in relation to the Global Offering. Therefore, we believe that these items should be adjusted for when calculating our adjusted net (loss)/profit in order to provide potential investors with a complete and fair understanding of our core operating results and financial performance, so that potential investors can assess our underlying core performance undistorted by items unrelated to our ordinary course of business operations, especially in (i) making period-to-period comparisons of, and assessing the profile of, our operating and financial performance, and (ii) making comparisons with other comparable companies with similar business operations.

We define adjusted net (loss)/profit as (loss)/profit for the year adjusted by adding (i) fair value changes of the Preferred Shares, (ii) share-based compensation expenses and (iii) listing expenses. The following table illustrates reconciliations to our adjusted net (loss)/profit from our loss for the years indicated:

	For the year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
(Loss)/profit for the year	(342,024)	(182,794)	84,663
Add:			
Fair value changes of the Preferred Shares	275,712	213,216	181,521
Share-based compensation expenses	32,801	9,085	9,661
Listing expenses	–	–	25,171
Adjusted net (loss)/profit	(33,511)	39,507	301,016

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

	For the year ended December 31,		
	2017	2018	2019
Gross profit margin (%) ⁽¹⁾	38.8	27.1	28.7
Net margin (%) ⁽²⁾	(112.3)	(18.4)	3.8
Adjusted net margin (%) ⁽³⁾	(11.0)	4.0	13.3

Notes:

- (1) Gross profit margin equals gross profit for the year divided by revenue for the year and multiplied by 100%.
- (2) Net margin equals net (loss)/profit for the year divided by revenue for the year and multiplied by 100%.
- (3) Adjusted net margin equals adjusted net (loss)/profit for the year divided by revenue for the year and multiplied by 100%.

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Adjusted Net (Loss)/Profit

As a result of the increase in our operating leverage, our revenue and gross profit have outpaced our operating expenses such as selling expenses, administrative expenses and research and development expenses in 2018 and 2019. As such, our adjusted net profit reached RMB39.5 million in 2018 and further increased to RMB301.0 million in 2019.

Adjusted Net Margin

Our adjusted net margin increased from 4.0% in 2018 to 13.3% in 2019, primarily due to (i) the increase in our operating leverage and (ii) a decrease in the costs incurred in research and development for developing our systems and SaaS products.

SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we generated revenue primarily through our two main types of business, namely (i) one-stop payment services and (ii) technology-enabled business services. The following table sets forth our revenue by business type for the years indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenue from one-stop						
payment services	299,479	98.3	967,988	97.5	2,081,051	92.2
App-based payment services	145,034	47.6	536,094	54.0	1,557,677	69.0
Traditional payment services	154,445	50.7	431,894	43.5	523,374	23.2
Revenue from technology-enabled						
business services	5,209	1.7	24,903	2.5	176,968	7.8
Merchant SaaS products	1,105	0.4	1,858	0.2	14,991	0.7
Marketing services	536	0.2	2,537	0.2	109,225	4.8
Fintech services	3,568	1.1	20,508	2.1	52,752	2.3
Total	304,688	100.0	992,891	100.0	2,258,019	100.0

During the Track Record Period, a significant portion of our revenue was generated from our one-stop payment services. Meanwhile, since our technology-enabled business services had grown rapidly, revenue contribution from our technology-enabled business services increased during the Track Record Period, which was primarily due to the increasing number of business service customers, most of which were converted from our rapidly growing payment service customers.

One-stop payment services

During the Track Record Period, we generated a substantial portion of our revenue from one-stop payment services which consist of app-based payment services and traditional payment services. Our revenue from one-stop payment services primarily consists of service fees relating to the GPV we processed.

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In 2017, 2018 and 2019, revenue generated from one-stop payment services amounted to RMB299.5 million, RMB968.0 million and RMB2,081.1 million, respectively, representing 98.3%, 97.5% and 92.2% of our total revenue, respectively. For the underlying reasons for the increase in revenue from our one-stop payment services during the Track Record Period, see " — Period To Period Comparison of Results of Operations."

In 2017, 2018 and 2019, revenue contribution of app-based payment services amounted to RMB145.0 million, RMB536.1 million and RMB1,557.7 million, respectively, representing 47.6%, 54.0% and 69.0% of our total revenue, respectively, as we strategically focused more on expanding our app-based payment services.

Technology-enabled business services

During the Track Record Period, we also generated revenue from the provision of technology-enabled business services which comprise merchant SaaS products, marketing services and fintech services. Revenue from our technology-enabled business services primarily consists of (i) revenue from the provision of various merchant SaaS products with scenario-specific functionalities integrated with our payment services, (ii) revenue from online marketing services by delivering performance based marketing services to payment customers on our payment platforms, (iii) revenue from off-line marketing services to merchant service providers, (iv) revenue from technology service fees from insurance companies for insurance referral service and (v) revenue from small-sized loans to merchants and consumers through the cooperation with banks and trust companies.

In 2017, 2018 and 2019, revenue generated from technology-enabled business services amounted to RMB5.2 million, RMB24.9 million and RMB177.0 million, respectively, representing 1.7%, 2.5% and 7.8% of our total revenue, respectively. For the underlying reasons for the increase in revenue from our technology-enabled business services during the Track Record Period, see " — Period To Period Comparison of Results of Operations."

Cost of Revenue

Our cost of revenue comprises (i) commission paid to distribution channels including sales agents for payment and business customer development, (ii) processing fees paid to payment networks and commercial banks for using their settlement services, (iii) amortization of non-current assets and (iv) others which primarily represent customer identification fees paid to third-party data providers, tax and surcharges, raw materials and consumables and server rental costs.

The following table sets forth a breakdown of our cost of revenue by nature for the years indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Commission	163,812	87.8	635,392	87.8	1,480,894	91.9
Processing fees	11,229	6.0	45,652	6.3	35,983	2.2
Amortization of non-current assets . . .	4,358	2.3	28,894	4.0	57,459	3.6
Others	7,143	3.9	13,418	1.9	36,648	2.3
Total	186,542	100.0	723,356	100.0	1,610,984	100.0

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Commission constitutes most of our cost of revenue. During the Track Record Period, commission as a percentage of our cost of revenue amounted to 87.8%, 87.8% and 91.9% in 2017, 2018 and 2019, respectively, while the proportion of other cost of revenue items to total cost of revenue continued to drop. This was primarily because commission we paid are closely linked to our one-stop payment services, and our commission paid increased along with the growth of revenue from our one-stop payment services. During the Track Record Period, the increase in our commission was primarily due to (i) the growth of revenue from our one-stop payment services and (ii) the increase in the use of sales agents to promote our business and the increase in the commission rate paid to them. The commission rate was determined and adjusted with reference to our prevalent marketing policy.

The following table sets forth a breakdown of our cost of revenue by business type for the years indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
One-stop payment services	186,047	99.7	721,181	99.7	1,551,041	96.3
Technology-enabled business services	495	0.3	2,175	0.3	59,943	3.7
Total	186,542	100.0	723,356	100.0	1,610,984	100.0

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit and gross profit margin by business type for the years indicated:

	For the year ended December 31,					
	2017		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
One-stop payment services	113,432	37.9	246,807	25.5	530,010	25.5
Technology-enabled business services	4,714	90.5	22,728	91.3	117,025	66.1
Total	118,146	38.8	269,535	27.1	647,035	28.7

Our gross profit margin from one-stop payment services amounted to 37.9%, 25.5% and 25.5% in 2017, 2018 and 2019, respectively. The decrease in our gross profit margin from one-stop payment services from 37.9% in 2017 to 25.5% in 2018 was due to: (i) the decrease in our service fee rate as it has become largely market-driven since September 2016. See "Regulatory Overview — Regulations On Payment Services of Non-Financial Institutions — Pricing Mechanism of Bankcard Transaction Fee" for details on the relevant PRC laws and regulations which led to a change in the pricing mechanism of our service fee rate from government-guided to largely market-driven; (ii) the increase in the commission paid to distribution channels as we shifted from direct marketing to cooperating with distribution channels. We strategically switched from direct marketing to distribution channels

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as we believe it is a more efficient and effective way to promote our business. We provide services mainly to micro and small merchants, and our distribution channels possess local resources and connection which help us reach millions of small merchants widely and dispersedly spread across China. The effectiveness of using distribution channels in promoting our business was reflected by the significant increase in our revenue during the Track Record Period.

Comparatively, our gross profit margin from technology-enabled business services, which amounted to 90.5%, 91.3% and 66.1% in 2017, 2018 and 2019, respectively, was higher than that of one-stop payment services. The high gross profit margin of our technology-enabled business services was primarily due to the relatively low customer acquisition costs of our technology-enabled business services as we utilize our one-stop payment services as the channel to direct user traffic to our technology-enabled business services, and most of our business service customers were converted from payment customers directly. Our gross profit margin from technology-enabled business services decreased from 91.3% in 2018 to 66.1% in 2019 primarily because the gross profit margin from the business conducted through TuoZhanbao Finance, which we acquired on in June 2019, was relatively lower than other technology-enabled business services.

Selling Expenses

Our selling expenses consist of (i) advertising and promotion expenses, (ii) employee benefits and (iii) others.

In 2017, 2018 and 2019, our selling expenses amounted to RMB53.6 million, RMB66.6 million and RMB66.9 million, respectively, representing 17.6%, 6.7% and 3.0% of our total revenue.

The following table sets forth a breakdown of our selling expenses for the years indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Advertising and promotion expenses . .	36,189	67.6	40,083	60.2	33,663	50.3
Employee benefits	15,106	28.2	24,328	36.5	29,650	44.3
Others	2,272	4.2	2,170	3.3	3,556	5.4
Total	53,567	100.0	66,581	100.0	66,869	100.0

During the Track Record Period, the proportion of employee benefits increased, while advertising and promotion expenses as a percentage of total selling expenses decreased from 67.6% in 2017 to 50.3% in 2019, primarily resulting from the transformation of our marketing strategy as we cooperated more with distribution channels and less with online media publishers.

Administrative Expenses

Our administrative expenses consist of (i) employee benefits, including share-based compensation expenses of our employee share incentive plans for our administrative employees, (ii) office and other administrative expenses, (iii) depreciation and amortization, (iv) professional service fees and (v) listing expenses.

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In 2017, 2018 and 2019, our administrative expenses amounted to RMB91.5 million, RMB84.1 million and RMB129.6 million, respectively, representing 30.0%, 8.5% and 5.7% of our total revenue.

The following table sets forth a breakdown of our administrative expenses for the years indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefits	65,160	71.2	48,685	57.9	58,239	45.0
Office and other administrative expenses	14,211	15.5	20,175	24.0	31,956	24.7
Depreciation and amortization	7,413	8.1	11,485	13.7	10,676	8.2
Professional service fees	4,683	5.2	3,708	4.4	3,522	2.7
Listing expenses	–	–	–	–	25,171	19.4
Total	91,467	100.0	84,053	100.0	129,564	100.0

A large portion of our administrative expenses are expenses on employee benefits. However, the proportion of employee benefits to total administrative expenses decreased from 71.2% in 2017 to 45.0% in 2019. This was mainly because share-based compensation expenses incurred for administrative employees were decreasing during the Track Record Period, which amounted to RMB31.5 million, RMB7.6 million and RMB6.4 million in 2017, 2018 and 2019, respectively.

Research and Development Expenses

Our research and development expenses consist of (i) employee benefits, (ii) system development, consulting and data validation, (iii) depreciation and amortization and (iv) others.

In 2017, 2018 and 2019, our research and development expenses amounted to RMB24.3 million, RMB87.1 million and RMB78.4 million, respectively, representing 8.0%, 8.8% and 3.5% of our total revenue.

The following table sets forth a breakdown of our research and development expenses for the years indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefits	22,076	91.0	30,776	35.3	59,494	75.9
System development, consulting and data validation	840	3.5	52,201	59.9	14,387	18.4
Depreciation and amortization	232	1.0	695	0.8	2,066	2.6
Others	1,102	4.5	3,449	4.0	2,453	3.1
Total	24,250	100.0	87,121	100.0	78,400	100.0

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Approximately 90.0% of our research and development expenses were employee benefits for research and development personnel in 2017, of which share-based compensation expenses for research and development personnel amounted to RMB1.3 million. In 2018, we recorded a significant increase in our system development, consulting and data validation for our payment and business services which led to the decrease in the proportion of employee benefits to total research and development expenses from 91.0% in 2017 to 35.3% in 2018. The increase in our system development, consulting and data validation was primarily due to expenses incurred for (i) our research and development of certain apps and products for our payment services and merchant SaaS products in 2018, the costs for which were prudently recognized as expenses as the future performance of such apps depends on our subsequent operation and marketing of such apps and (ii) hiring consultants to provide consulting services to improve the risk management control of our software systems.

Impairment Losses on Financial Assets

Our impairment losses on financial assets primarily consists of (i) impairment on loan receivables, details of which are set out in Notes 2.8 and 3.1(b) to the Accountant's Report as set out in Appendix I; and (ii) impairment on the amount due from Shenzhen Chaomeng, our 10% owned associate. See Note 21(b)(iv) to the Accountant's Report as set out in Appendix I and "— Selected Items From Consolidated Statements of Financial Position — Current Assets and Liabilities — Prepayments and other receivables."

Other Income

Our other income primarily consists of (i) government grants, including subsidies for technology companies like us and tax returns and (ii) interest income from bank deposits.

The following table sets forth a breakdown of our other income for the years indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Government grants	153	34.4	2,328	72.6	3,517	70.6
Interest income from bank deposits . . .	292	65.6	286	9.0	1,466	29.4
Others	—	—	591	18.4	—	—
Total	445	100.0	3,205	100.0	4,983	100.0

Other Gains/(Losses) — Net

Other gains or losses primarily consist of (i) gains on investments in wealth management products, (ii) loss on disposal of property, plant and equipment and (iii) gains on deemed disposal of an associate.

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The following table sets forth the breakdown of our other gains/ (losses) — net for the years indicated:

	For the year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Gains on investments in wealth management products	372	–	966
Loss on disposal of property, plant and equipment	–	(295)	(6)
Gains on deemed disposal of an associate	–	–	2,217
Others	(373)	(57)	(255)
Total	(1)	(352)	2,922

Finance Costs

Our finance costs represent (i) interest expense on borrowings and (ii) interest expense on lease liabilities.

The following table sets forth the breakdown of our finance costs for the years indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Interest expense on borrowings	5,536	93.0	2,952	74.5	4,379	78.0
Interest expense on lease liabilities	414	7.0	1,011	25.5	1,236	22.0
Total	5,950	100.0	3,963	100.0	5,615	100.0

Share of Profits/(Losses) of Investments Accounted for Using the Equity Method

We have invested in a number of companies to expand our services and offerings, such as sales partners and software developers. Our share of profits of investments accounted for using the equity method amounted to RMB35,000 in 2017. We recognized share of losses of investments accounted for using the equity method of RMB3.9 million in 2018 and RMB14.5 million in 2019. See Note 14 to the Accountant's Report as set out in Appendix I for details.

Fair Value Changes of the Preferred Shares

Since the date of incorporation, we have completed several rounds of financing by issuing the Preferred Shares. We have used the discounted cash flow method to determine our underlying share value and adopted equity allocation model to determine the fair value of the Preferred Shares as of the dates of issuance and at the end of each reporting period. In 2017, 2018 and 2019, the fair value changes of the Preferred Shares amounted to RMB275.7 million, RMB213.2 million and RMB181.5 million, respectively, as a result of the increase in the valuation of our Company due to (i) our business expansion and (ii) the decrease in DLOM as we are moving closer to an initial public offering. See Note 30 to the Accountant's Report as set out in Appendix I for details.

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Income Tax Expenses

We are subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

Cayman Islands

Under the current laws of Cayman Islands, we are not subject to tax on income or capital gain. In addition, upon payments of dividends by us to our shareholders, no Cayman Islands withholding tax will be imposed.

Hong Kong

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the year ended December 31, 2017. Hong Kong profits tax has been provided for at the rate of 8.25% on the estimated assessable profits up to HKD2,000,000; and 16.5% on any part of the estimated assessable profits over HKD2,000,000 for the years ended December 31, 2018 and 2019.

PRC

EIT provision was made on the estimated assessable profits of entities within our Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC EIT rate is 25% for the years ended December 31, 2017, 2018 and 2019.

Shenzhen Yeahka and Leshua Technology obtained the relevant approval from relevant tax bureau as "Software Enterprise" in October 2012 and October 2016, respectively. Therefore, Shenzhen Yeahka and Leshua Technology are exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates (12.5%) for the next three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years. Their first profit making year were 2014 and 2013, respectively, and thus the tax exemption period for Shenzhen Yeahka and Leshua Technology was January 1, 2014 to December 31, 2015 and January 1, 2013 to December 31, 2014, respectively. Since Shenzhen Yeahka did not meet the criteria of "Software Enterprise" in 2018, the 50% reduction in the applicable tax rates period was applicable from January 1, 2016 to December 31, 2017. In addition, Shenzhen Yeahka and Leshua Technology have applied to the relevant tax bureau and was granted the qualification as "High and New Technology Enterprise" ("HNTTE") in October 2018 and October 2017, respectively, and they are subject to a preferential EIT rate of 15% for a 3-year period from 2018 to 2020 and 2017 to 2019, respectively.

Letuobao is subject to a preferential EIT rate of 15% till December 31, 2020, as it is an enterprise established in the Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone ("**Qianhai Zone**") and is engaged in business that falls within the catalogue for EIT preferential treatments of the Qianhai Zone.

Moreover, according to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses before 2018 and 175% from 2018 so incurred as tax deductible expenses when determining their assessable profits for that year.

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Expenses not deductible for tax purpose mainly comprise fair value changes of the Preferred Shares and share-based compensation expenses with respect to employee share schemes. During the Track Record Period and as of the Latest Practicable Date, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue

Our revenue increased by 127.4% from RMB992.9 million in 2018 to RMB2,258.0 million in 2019, primarily due to the rapid growth of both our one-stop payment services and technology-enabled business services.

One-stop payment services. Revenue from our one-stop payment services increased by 115.0% from RMB968.0 million in 2018 to RMB2,081.1 million in 2019 as a result of our revenue growth in all types of payment services, in particular our app-based payment services.

Revenue from our app-based payment services increased by 190.6% from RMB536.1 million in 2018 to RMB1,557.7 million in 2019, primarily due to a 176.9% increase in the app-based payment GPV we processed from RMB326.0 billion in 2018 to RMB902.7 billion in 2019. Revenue from our traditional payment services increased by 21.2% from RMB431.9 million in 2018 to RMB523.4 million in 2019, primarily due to a 32.0% increase in the traditional payment GPV we processed from RMB452.9 billion in 2018 to RMB597.6 billion in 2019.

The increase in both app-based payment GPV and traditional payment GPV we processed was primarily due to:

- (i) the increase in the number of customers as a result of the provision of incentives to distribution channels to promote our payment services. In order to reach new customers from different sectors and regions and increase our market share, we increased the number of our sales agents substantially from over 3,000 as of December 31, 2018 to over 8,000 as of December 31, 2019 to promote our business. We provided incentives to our sales agents to enhance our customer acquisition including an increase in the commission rate, calculated as a percentage of revenue from one-stop payment services, from 65.6% in 2018 to 69.1% in 2019; and
- (ii) the increase in the frequency of usage of our payment services by customers, which was consistent with the market trend of an increase in the frequency of usage of the third-party payments in China. Our GPV per active payment customer increased from RMB205,000 in 2018 to RMB284,000 in 2019, which reflected the increase in the frequency of usage of our payment services during the Track Record Period.

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The increase in our app-based payment GPV was further driven by the growing popularity of app-based payments among our customers along with the growing smartphone penetration rate and the increasing number of mobile users in China. According to Oliver Wyman, app-based payments accounted for 9.8% of the total transaction volume in the non-cash payment market of third-party payment providers in 2018, and it is expected to further increase to 15.9% by the end of 2019. See “Industry Overview — Payment Services”.

Technology-enabled business services. Revenue from our technology-enabled business services increased by 610.6% from RMB24.9 million in 2018 to RMB177.0 million in 2019 resulting from our rapid revenue growth in all types of technology-enabled business services. The number of our business service users rapidly grew from approximately 80,000 in 2018 to 431,000 in 2019.

- Revenue from our merchant SaaS products increased by 706.8% from RMB1.9 million in 2018 to RMB15.0 million in 2019, primarily because of our continuing efforts in launching new products and improving existing products.
- Revenue from our marketing services increased by 4,205.3% from RMB2.5 million in 2018 to RMB109.2 million in 2019, primarily because of (i) the increase in the number of business service customers, which was due to accelerated customer conversion and monetization from active payment service customers and (ii) the revenue contribution from the business conducted through TuoZhanbao Finance which we acquired in June 2019.
- Revenue from our fintech services increased by 157.2% from RMB20.5 million in 2018 to RMB52.8 million in 2019, primarily due to the growth of our entrusted loan business.

Cost of revenue

Our cost of revenue increased by 122.7% from RMB723.4 million in 2018 to RMB1,611.0 million in 2019, primarily due to (i) an increase in commission to distribution channel of RMB845.5 million, or 133.1%, associated with the expansion of payment and business services, and (ii) an increase in the amortization of payment terminals of RMB28.6 million, or 98.9%, as a result of the expansion of our payment business.

Gross profit and gross profit margin

Our gross profit increased by 140.1% from RMB269.5 million in 2018 to RMB647.0 million in 2019. Our gross profit margin increased from 27.1% in 2018 to 28.7% in 2019. Gross profit margin of our one-stop payment services remained stable at 25.5% in 2018 and 2019. Gross profit margin of our technology-enabled business services decreased from 91.3% in 2018 to 66.1% in 2019 as (i) we offered more discounts to promote our merchant SaaS products and (ii) the gross profit margin from marketing services conducted through TuoZhanbao Finance, which we acquired in June 2019, was relatively lower than other technology-enabled business services.

Selling expenses

Our selling expenses amounted to RMB66.6 million in 2018 and RMB66.9 million in 2019. We had (i) a 21.9% increase in employee benefits for marketing staff of RMB5.3 million which was associated with our business expansion and (ii) a 16.0% decrease in advertising and promotion expenses of RMB6.4 million as a result of the transformation of our marketing strategy to cooperate more with distribution channels and less with online media publishers.

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Administrative expenses

Our administrative expenses increased by 54.1% from RMB84.1 million in 2018 to RMB129.6 million in 2019, primarily because (i) we incurred listing expenses of RMB25.2 million and (ii) there was an increase in our employee benefits of RMB9.6 million and an increase in our office and other administrative expenses of RMB11.8 million due to our increased headcount.

Research and development expenses

Our research and development expenses decreased by 10.0% from RMB87.1 million in 2018 to RMB78.4 million in 2019, primarily due to a decrease in system development, consulting and data validation cost of RMB37.8 million, partially offset by an increase in our employee benefits of RMB28.7 million as a result of our increased headcount.

Impairment losses on financial assets

Our impairment losses on financial assets increased by 1,726.7% from RMB1.5 million in 2018 to RMB27.4 million in 2019, primarily due to (i) the impairment provision on loan receivables of RMB17.9 million as a result of the growth in our entrusted loan businesses and (ii) the impairment provision of RMB9.5 million for the amount due from Shenzhen Chaomeng. See “— Selected Items From Consolidated Statements of Financial Position — Current Assets and Liabilities — Prepayments and other receivables.”

Other income

Our other income increased by 55.5% from RMB3.2 million in 2018 to RMB5.0 million in 2019, primarily due to an increase in government grants in relation to subsidies for technology companies of RMB1.2 million.

Other gains/(losses) — net

We incurred other losses — net of RMB352,000 in 2018 which was primarily due to our loss on disposal of property, plant and equipment, while we recorded other gains — net of RMB2.9 million in 2019, primarily due to deemed disposal gains from an associate of RMB2.2 million.

Operating profit

As a result of the foregoing, we recorded operating profit of RMB33.2 million in 2018 and RMB352.7 million in 2019.

Finance costs

Our finance costs increased by 41.7% from RMB4.0 million in 2018 to RMB5.6 million in 2019, primarily due to (i) an increase in interest expense of RMB1.4 million on our borrowings and (ii) an increase in interest expense on lease liabilities of RMB225,000 which represented our lease payments.

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Share of losses of investments accounted for using the equity method

Our share of losses of investments accounted for using the equity method increased by 268.3% from RMB3.9 million in 2018 to RMB14.5 million in 2019, primarily due to the recognition of losses from our investments in associates which were in the growth stage of their businesses.

Fair value changes of the Preferred Shares

Our losses arising from fair value changes of the Preferred Shares decreased by 14.9% from RMB213.2 million in 2018 to RMB181.5 million in 2019 mainly due to a comparatively smaller increase in the fair value of the Preferred Shares in 2019.

(Loss)/profit before income tax

As a result of the foregoing, we incurred loss before income tax of RMB188.0 million in 2018 and profit before income tax of RMB151.0 million in 2019.

Income tax (expenses)/credit

We recorded an income tax credit of RMB5.2 million in 2018 as a result of recognition of deferred tax assets on tax losses brought forward by our operating entities in China, which we had certainty of their utilization to deduct future tax assessable profits. We recorded income tax expenses of RMB66.4 million in 2019, primarily due to the enterprise income tax levied on our profitable entities in China. The effective tax rate in 2019 was 43.9%, primarily due to fair value changes of the Preferred Shares, which is an expense not deductible for tax purpose.

(Loss)/profit for the year

As a result of the foregoing, we incurred loss for the year of RMB182.8 million in 2018 and profit for the year of RMB84.7 million in 2019.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue increased by 225.9% from RMB304.7 million in 2017 to RMB992.9 million in 2018 because both our one-stop payment services and technology-enabled business services grew rapidly during this period.

One-stop payment services. Revenue from our one-stop payment services increased by 223.2% from RMB299.5 million in 2017 to RMB968.0 million in 2018 as a result of our revenue growth in all types of payment services, in particular our app-based payment services. We established more attractive incentive schemes for distribution channels in order to encourage them to promote our products and services to more customers. The number of active payment service customers on our payment platform increased from approximately 1.6 million in 2017 to approximately 3.8 million in 2018.

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Revenue from our app-based payment services increased by 269.6% from RMB145.0 million in 2017 to RMB536.1 million in 2018, primarily due to a 366.9% increase in the app-based GPV we processed from RMB69.8 billion in 2017 to RMB326.0 billion in 2018. Revenue from our traditional payment services increased by 179.6% from RMB154.4 million in 2017 to RMB431.9 million in 2018, primarily due to a 177.8% increase in the traditional GPV we processed from RMB163.0 billion in 2017 to RMB452.9 billion in 2018.

The increase in both app-based payment GPV and traditional payment GPV we processed was primarily due to:

- (i) the promotion of our payment services by providing incentives to distribution channels. We increased the use of sales agents and offered incentives to them to promote our business and reach more customers. The commission rate, calculated as a percentage of revenue from one-stop payment services, was increased from 54.7% in 2017 to 65.6% in 2018, and the number of our sales agents increased from approximately 1,100 in 2017 to over 3,000 in 2018; and
- (ii) the increase in the frequency of usage of our payment services by customers, which was in line with the increasing prevalence of the usage of third-party payments in China. Our GPV per active payment customer increased from RMB143,000 in 2017 to RMB205,000 in 2018, which reflected the increase in the frequency of usage of our payment services during the Track Record Period.

The increase in our app-based payment GPV was further driven by the prevalence of app-based payments among our customers, which was in line with the increasing smartphone penetration and the growing number of mobile users in China. According to Oliver Wyman, app-based payments accounted for 9.8% of the total transaction volume in the non-cash payment market of third-party payment providers in 2018, compared to that of 4.6% in 2017. See "Industry Overview — Payment Services".

Technology-enabled business services. Revenue from our technology-enabled business services increased by 378.0% from RMB5.2 million in 2017 to RMB24.9 million in 2018. The number of our business service users increased significantly from approximately 4,000 in 2017 to 80,000 in 2018 because we accelerated our customer expansion and further expanded our services and products in 2018.

- Revenue from our merchant SaaS products increased by 68.1% from RMB1.1 million in 2017 to RMB1.9 million in 2018, primarily because we accelerated our customer expansion and further expanded our product offerings in 2018.
- Revenue from our marketing services increased by 373.5% from RMB536,000 in 2017 to RMB2.5 million in 2018, primarily because of the increase in the number of business service customers, most of which were converted from our rapidly expanding active payment service customers.
- Revenue from our fintech services increased by 474.8% from RMB3.6 million in 2017 to RMB20.5 million in 2018, primarily due to the continuous growth of our entrusted loans and technology services fees from insurance companies for insurance referral services.

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Cost of revenue

Our cost of revenue increased by 287.8% from RMB186.5 million in 2017 to RMB723.4 million in 2018, which was in line with our business expansion. The increase was primarily due to (i) an increase in commission paid to distribution channels of RMB471.6 million, or 287.9%, as we increased the commission rate to promote our services, (ii) an increase in processing fees of RMB34.4 million, or 306.6%, resulting from the increased GPV we processed and (iii) an increase in the amortization of payment terminals of RMB24.5 million, or 563.0%, as a result of the expansion of our payment business.

Gross profit and gross profit margin

Our gross profit increased by 128.1% from RMB118.1 million in 2017 to RMB269.5 million in 2018 while our gross profit margin decreased from 38.8% in 2017 to 27.1% in 2018. The decrease in our gross profit margin was primarily due to the decrease of the gross profit margin of our one-stop payment services from 37.9% in 2017 to 25.5% in 2018, resulting from our incentive scheme adjustments as we paid more commission to distribution channels in pursuit of accelerating expansion of our customer base. The gross profit margin of our technology-enabled business services remained relatively stable at 90.5% and 91.3% in 2017 and 2018, respectively.

Selling expenses

Our selling expenses increased by 24.3% from RMB53.6 million in 2017 to RMB66.6 million in 2018, primarily due to (i) a 61.0% increase in employee benefits of RMB9.2 million as a result of an increase in the number of our sales personnel in the year and (ii) a 10.8% increase in advertising and promotion expenses paid to online media publishers of RMB3.9 million.

Administrative expenses

Our administrative expenses decreased by 8.1% from RMB91.5 million in 2017 to RMB84.1 million in 2018, primarily due to a decrease in employee benefits of RMB16.5 million, or 25.3% as we incurred less share-based compensation expenses for our administrative employees in 2018.

Research and development expenses

Our research and development expenses increased significantly by 259.3% from RMB24.3 million in 2017 to RMB87.1 million in 2018, primarily due to an increase in system development, consulting and data validation cost of RMB51.4 million for (i) our research and development of certain apps and products for our payment services and merchant SaaS products in 2018, the costs for which were prudently recognized as expenses as the future performance of such apps depends on our subsequent operation and marketing of such apps and (ii) hiring consultants to provide consulting services to improve the risk management control of our software systems.

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Other income

Our other income increased from RMB445,000 in 2017 to RMB3.2 million in 2018, primarily due to an increase in government grants in relation to subsidies for technology companies of RMB2.2 million.

Operating (losses)/profits

As a result of the foregoing, we incurred operating losses of RMB51.1 million in 2017 while we recorded operating profits of RMB33.2 million in 2018.

Finance costs

Our finance costs decreased by 33.3% from RMB6.0 million in 2017 to RMB4.0 million in 2018, primarily because we lowered our borrowing costs by utilizing less loans from banks.

Share of profits/(losses) of investments accounted for using the equity method

We recorded profits of RMB35,000 from our share of profits of investments accounted for using the equity method in 2017 while we recognized losses of RMB3.9 million from our share of losses of investments accounted for using the equity method in 2018, primarily due to the recognition of share of losses from our 10% investment in an associate, a sales partner who incurred considerable expenses on merchant acquisition in 2018 as it was in the growth stage.

Fair value changes of the Preferred Shares

Our losses arising from fair value changes of the Preferred Shares decreased by 22.7% from RMB275.7 million in 2017 to RMB213.2 million in 2018 as a result of a comparatively smaller increase in the fair value of the Preferred Shares in 2018.

Loss before income tax

As a result of the foregoing, we incurred loss before income tax of RMB332.7 million in 2017 and RMB188.0 million in 2018, respectively.

Income tax expenses/credit

We recorded tax expenses of RMB9.3 million in 2017 because of enterprise income tax levied on our profitable operations of Leshua Technology; while we recorded a tax credit of RMB5.2 million in 2018 as a result of recognition of deferred tax assets on tax losses brought forward by our operating entities in China, which we had certainty of their utilization to deduct future tax assessable profits.

Loss for the year

As a result of the foregoing, we reported loss for the year of RMB342.0 million and RMB182.8 million in 2017 and 2018, respectively.

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LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Working Capital

We have historically funded our working capital principally from cash generated from our business operations, bank borrowings and capital contributions from our shareholders. After the Global Offering, we intend to finance our future capital requirements through similar sources of funds as above, together with the net proceeds to be received from the Global Offering. We do not anticipate any changes to the availability of financing to fund our operations in the future. We currently do not expect any significant changes in the mix and the relative costs of our capital resources.

We had cash and cash equivalents of RMB480.5 million, RMB479.8 million and RMB441.3 million as of December 31, 2017, 2018 and 2019, respectively. Our cash and cash equivalents primarily consist of cash at bank and cash in hand.

Working Capital Statement

Taking into account the estimated net proceeds from the Global Offering and the financial resources presently available to us, including our cash and cash equivalents, cash flows from operating activities and our available banking facilities, our Directors are of the opinion, and the Joint Sponsors concur, that we have sufficient funds to meet our working capital requirements for at least the next 12 months from the date of this prospectus.

Cash Flows

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

	For the year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cash (used in)/generated from operations before making adjustments for changes in working capital	(6,261)	85,085	466,529
Changes in working capital	(161)	316,315	(387,599)
Cash (used in)/generated from operations ..	(6,422)	401,400	78,930
Interest received	292	286	1,466
Interest paid	(5,950)	(3,963)	(5,615)
Income taxes paid	(10,294)	(27,947)	(22,232)
Net cash (used in)/generated from operating activities	(22,374)	369,776	52,549
Net cash used in investing activities	(50,352)	(122,790)	(138,732)
Net cash generated from/(used in) financing activities	299,825	(249,831)	46,724
Net increase/(decrease) in cash and cash equivalents	227,099	(2,845)	(39,459)
Cash and cash equivalents at the beginning of the year	256,372	480,521	479,839
Effects of exchange rate changes on cash and cash equivalents	(2,950)	2,163	935
Cash and cash equivalents at the end of the year	480,521	479,839	441,315

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Net cash (used in)/generated from operating activities

Our net cash generated from operating activities primarily comprises our revenue from our one-stop payment services and technology-enabled business services. Cash flow from operating activities reflects (i) profit or loss before income tax adjusted for non-cash items, such as depreciation, amortization, share-based payments, impairment on loan receivables, impairment and share of profits/(losses) of associates, fair value losses on the Preferred Shares and finance costs, (ii) changes in working capital and (iii) other cash items such as interest received and paid as well as income taxes paid.

In 2019, our net cash generated from operating activities amounted to RMB52.5 million, representing our profit before income tax of RMB151.0 million, adjusted by (i) non-cash items of RMB315.5 million which mainly represent our fair value losses on the Preferred Shares of RMB181.5 million and amortization of non-current assets of RMB57.5 million, offset by (ii) a decrease in our trade and other payables of RMB19.4 million as a result of (a) a decrease in the purchase of payment terminals as more payment terminals cost was born by distribution channels and (b) the shortened settlement dates with some distribution channels as we selectively provided more favorable settlement period to enhance our customer acquisition, (iii) an increase in our prepayments and other receivables of RMB301.2 million as a result of an increase in the prepayments for payment terminals and increase in the loan receivables due to the growth in our entrusted loan business, (iv) an increase in our restricted cash of RMB20.7 million and (v) a decrease in our contract liabilities of RMB46.3 million.

In 2018, our net cash generated from operating activities amounted to RMB369.8 million, representing our loss before income tax of RMB188.0 million, adjusted by (i) non-cash items of RMB273.0 million which mainly represent fair value losses on the Preferred Shares of RMB213.2 million, (ii) an increase in our trade and other payables of RMB804.2 million primarily due to the increase in our payables to payment customers and the increasing trade payables to distribution channels mainly as a result of an increase in the number of sales agents and an increase in the commission rate, and (iii) an increase in our contract liabilities of RMB62.1 million due to our increase in entry fees received from payment customers and unconsumed coupons, primarily offset by (iv) an increase in our prepayments and other receivables of RMB463.3 million as a result of a significant increase in the receivables on behalf of payment customers associated with the rapid growth of our GPV.

In 2017, our net cash used in operating activities amounted to RMB22.4 million, representing our loss before income tax of RMB332.7 million, primarily adjusted by (i) non-cash items of RMB326.4 million which mainly represent our fair value losses on the Preferred Shares of RMB275.7 million as well as equity-settled share-based payments of RMB32.8 million, and (ii) an increase in our trade and other payables of RMB159.4 million as a result of an increase in payables to payment customers, entry fees received from distribution channels and tax payables as a result of our growth in payment services and payables to distribution channels, primarily offset by (iii) an increase in our prepayments and other receivables of RMB172.9 million as a result of a significant increase in the receivables from payment networks in line with the increasing GPV we processed.

FINANCIAL INFORMATION

Net cash used in investing activities

Our cash outflows from investing activities primarily consist of our payments for property, plant and equipment and intangible assets, payments for other non-current assets which mainly comprise payment terminals, investments in wealth management products, investments in associates and prepayments for investments. Our cash inflows from investing activities primarily consist of our redemption upon maturity of financial assets, and net cash acquired from business combination.

In 2019, our net cash used in investing activities amounted to RMB138.7 million, primarily consisted of (i) payments for other non-current assets of RMB96.8 million and (ii) prepayments for equity interests of third-party companies engaging in the business of mobile payment for a consideration of RMB30.0 million.

In 2018, our net cash used in investing activities amounted to RMB122.8 million, primarily consisted of (i) payments for other non-current assets of RMB76.6 million, (ii) payments for investments in associates of RMB35.0 million which represent our investments in two associates engaged in the businesses of mobile payment as well as software design and technology development and (iii) payments for property, plant and equipment and intangible assets of RMB11.2 million as we acquired servers and office equipment for new employees, which was in line with our business expansion.

In 2017, our net cash used in investing activities amounted to RMB50.4 million, primarily consisted of (i) payments for other non-current assets of RMB42.0 million and (ii) payments for investment in an associate engaged in the business of mobile payment for a consideration of RMB5.0 million.

Net cash generated from/(used in) financing activities

Financing activities primarily comprise (i) proceeds from and repayments of borrowings, (ii) proceeds from the issuance of Series-C Preferred Shares and (iii) payments of lease liabilities.

In 2019, our net cash generated from financing activities amounted to RMB46.7 million, which was primarily attributable to (i) net proceeds from bank borrowings and other payables of RMB128.9 million, (ii) proceeds from issuance of Series-C Preferred Shares of RMB43.9 million, partially offset by (iii) repurchases of Series-C Preferred Shares and ordinary shares of RMB52.4 million and RMB58.5 million, respectively.

In 2018, our net cash used in financing activities amounted to RMB249.8 million, which was attributable to net repayments of borrowings of RMB230.6 million.

In 2017, our net cash generated from financing activities amounted to RMB299.8 million, which was primarily attributable to (i) proceeds from the issuance of Series-C Preferred Shares of RMB159.0 million and (ii) net proceeds from borrowing of RMB146.2 million. For more details on the issuance of Series-C Preferred Shares, see "History, Reorganization and Corporate Structure — Pre-IPO Investments."

FINANCIAL INFORMATION

SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets and Liabilities

Due to the nature of our business, substantially all of our assets are due within one year. We receive, process and transfer a significant amount of funds on behalf of our clients on a daily basis.

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Total non-current assets	69,184	215,832	413,876
Total current assets	978,853	1,553,312	1,860,160
Total non-current liabilities	834,648	1,102,520	1,453,897
Total current liabilities	796,408	1,464,588	1,375,635
Total equity	(583,019)	(797,964)	(555,496)

Current Assets and Liabilities

The following table sets forth the components of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of
	2017	2018	2019	March 31,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
				(Unaudited)
Prepayments and other receivables	426,478	896,965	1,159,213	845,123
Cash and cash equivalents	480,521	479,839	441,315	437,594
Restricted cash	54,606	141,385	162,124	100,204
Other current assets	16,846	34,127	46,698	36,122
Inventories	402	996	7,282	4,651
Trade receivables	–	–	43,528	76,782
Total current assets	978,853	1,553,312	1,860,160	1,500,476
Financial liabilities at fair value through profit or loss	130,032	170,232	–	–
Borrowings	275,708	45,100	136,500	125,000
Contract liabilities	10,049	72,178	25,910	14,052
Lease liabilities	5,286	6,112	10,212	7,953
Trade and other payables	367,287	1,167,116	1,164,851	751,503
Current tax liabilities	8,046	3,850	38,162	47,409
Total current liabilities	796,408	1,464,588	1,375,635	945,917
Net current assets	182,445	88,724	484,525	554,559

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We had net current assets as of December 31, 2017, 2018 and 2019 and March 31, 2020. Our net current assets position as of each of these dates was primarily attributable to our large balance of prepayments and other receivables, cash and cash equivalents and restricted cash, partially offset by our trade and other payables, financial liabilities at fair value through profit or loss and borrowings.

Our net current assets decreased from RMB182.4 million as of December 31, 2017 to RMB88.7 million as of December 31, 2018, primarily due to the substantial increase in trade and other payables of RMB799.8 million as a result of an increase in payables to payment customers reflecting unsettled payments we processed due to our growth in payment services. Our net current assets increased from RMB88.7 million as of December 31, 2018 to RMB484.5 million as of December 31, 2019, primarily due to (i) the increase in prepayments and other receivables of RMB262.2 million as a result of an increase in our loan receivables as a result of the rapid growth of our entrusted loan business in 2019 with our increased collaboration with financial institutions in China such as banks and trust companies; (ii) an increase in restricted cash of RMB20.7 million; (iii) the increase of our trade receivables of RMB43.5 million as a result of the rapid growth of our marketing services in 2019; and (iv) a decrease in the balance of the current portion of the Preferred Shares from RMB170.2 million as of December 31, 2018 to nil as of December 31, 2019. Our net current assets increased from RMB484.5 million as of December 31, 2019 to RMB554.6 million as of March 31, 2020, primarily due to (i) a decrease in trade and other payables of RMB413.3 million as a result of the decrease in our payables to payment customers resulting from the outbreak of COVID-19 which affected the GPV we processed; (ii) an increase in trade receivables of RMB33.3 million as a result of the growth of our marketing services; and partially offset by (iii) a decrease in prepayments and other receivables of RMB314.1 million as a result of the decrease in receivables from payment networks resulting from the outbreak of COVID-19 which affected the GPV we processed.

Prepayments and other receivables

Our prepayments and other receivables mainly comprise receivables from payment networks, which mainly represents funds received by the payment networks to be transferred to the respective payment customers in the course of our payment services. The following table sets forth details of our prepayments and other receivables as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Receivables from payment networks	398,262	818,599	800,658
Loan receivables	4,454	30,840	242,615 ⁽¹⁾
Amounts due from related parties	5,507	2,586	30,810 ⁽²⁾
Prepayments for payment terminals	3,857	5,495	18,490
Deposit placed with financial institutions	–	8,631	40,366 ⁽³⁾
Deposits	1,204	2,565	5,907
Prepayments – others	752	3,539	7,227
Prepaid listing expenses	–	–	8,010
Payment network deposits	1,150	2,100	1,500
Prepayment for repurchase of ordinary shares .	–	10,000	–
Others	11,691	14,481	23,378
Less: allowance for impairment of loan receivables	(399)	(1,871)	(10,244)
Less: allowance for amount due from Shenzhen Chaomeng	–	–	(9,504) ⁽²⁾
Total	426,478	896,965	1,159,213

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Notes:

- (1) The balance includes RMB48.9 million of loan receivables recognized through the Trust comprising the principal funding and related interests. See "Business — Suppliers and Our Cooperation with Financial Institutions — Financial Institutions — Entrusted Loan Partners" for details.
- (2) The non-trade balance of amounts due from RYK Capital Partners Limited was fully settled in February 2020. The non-trade balance of amounts due from Shenzhen Chaomeng of RMB30.0 million will not be fully settled prior to the Listing. The cash flows position of Shenzhen Chaomeng has been adversely affected by the outbreak of COVID-19 in early 2020 as part of its business operation was temporarily suspended and some of its planned new business initiatives could not be carried out as scheduled. As Shenzhen Chaomeng is our investee and associate and we will continue to cooperate with Shenzhen Chaomeng, we allowed Shenzhen Chaomeng to postpone the settlement after taking into account the macro-economic environment and policies in China under the impact of COVID-19. We had made an impairment provision of RMB9.5 million against the carrying amount of the non-trade balance as of December 31, 2019 based on our assessment of the expected cashflows to be generated by Shenzhen Chaomeng in its future operations and the amounts that Shenzhen Chaomeng would repay us.
- (3) The balance includes RMB5.4 million of deposit held through the Trust, which is yet to be lent to borrowers as described under Note 1.2 of Appendix I to this prospectus.

Our prepayments and other receivables increased by 110.3% from RMB426.5 million as of December 31, 2017 to RMB897.0 million as of December 31, 2018. Such increase in our prepayments and other receivables was primarily due to an increase in receivables from payment networks as a result of the growing GPV we processed.

Our prepayments and other receivables increased by 29.2% from RMB897.0 million as of December 31, 2018 to RMB1,159.2 million as of December 31, 2019, primarily due to (i) an increase in loan receivables from RMB30.8 million as of December 31, 2018 to RMB242.6 million as of December 31, 2019 and (ii) an increase in deposits placed with financial institutions from RMB8.6 million as of December 31, 2018 to RMB40.4 million as of December 31, 2019 as a result of the rapid growth of our entrusted loan business in 2019 with our increased collaboration with financial institutions in China such as banks and trust companies.

During the Track Record Period, receivables from payment networks were normally settled within several days. As of the Latest Practicable Date, all of our receivables from payment networks outstanding as of December 31, 2019 had been settled.

Loan Receivables

The average maturity period of our loan receivables for the years ended December 31, 2017, 2018 and 2019 was 10.4 months, 8.7 months and 8.8 months, respectively, with an effective interest rate of 17.6%, 28.3% and 25.1%, respectively. The following table sets forth an aging analysis of our loan receivables as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Up to 3 months	3,495	21,186	121,366
3 to 6 months	84	3,376	97,834
Over 6 months	875	6,278	23,415
Total	4,454	30,840	242,615

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The following table sets forth a breakdown of our overdue loan receivables in absolute amounts and as percentages of total loan receivables as of the dates indicated:

	As of December 31,					
	2017		2018		2019	
	RMB'000	% of total loan receivables	RMB'000	% of total loan receivables	RMB'000	% of total loan receivables
<90 days past due	238	5.3	2,854	9.3	9,266	3.8
90+ days past due	312	7.0	1,137	3.7	5,280	2.2
Total	550	12.3	3,991	13.0	14,546	6.0

We did not roll over the loans when they became overdue. We generally had a recovery rate of over 80% for the overdue loan receivables. As of the Latest Practicable Date, RMB114.0 million, or 47.0% of our loan receivables outstanding as of December 31, 2019 had been settled.

As of December 31, 2017, 2018 and 2019, impairment provisions of RMB0.3 million, RMB1.4 million and RMB6.1 million had been recognised in respect of the overdue loan receivables, all of which were classified as "underperforming" loan receivables for the purpose of impairment assessment performed under the expected credit loss model of IFRS 9, details of which are set out in Note 3.1(b)(ii) to the Accountant's Report in Appendix I. Also see "— Financial Risk Disclosure — Credit Risk — Impairment of other receivables."

The impairment provisions for these underperforming loan receivables as of the end of each year were calculated using the expected loss rates, which were determined based on the historical loss rates as well as the average expected loss rates of comparable small loan companies in the same industry. The historical loss rates were further adjusted to reflect the current and forward-looking information on macro-economic factors affecting the ability of the debtors to settle these loan receivables.

Restricted cash

Our restricted cash represents client reserve fund received on behalf of payment customers in connection with the provision of our one-stop payment services. Client reserve funds represent funds received on behalf of our payment customers from processing payments which are payable to payment customers. Client reserve funds are generally settled with our payment customers one business day after the relevant transaction.

Our restricted cash increased by 158.9% from RMB54.6 million as of December 31, 2017 to RMB141.4 million as of December 31, 2018. The balance of our restricted cash continued to increase from RMB141.4 million as of December 31, 2018 to RMB162.1 million as of December 31, 2019. The balance of our restricted cash depended on our unsettled funds to payment customers at end of year or period and the then effective regulatory requirements.

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Contract liabilities

Our contract liabilities represent deferred revenue arising from entry fees received from payment customers from our traditional payment services and fair value of unconsumed coupons sold to payment customers for reduction against payment services charges payable to us, which are recognized as revenue in accordance with the abovementioned revenue recognition policy.

Our contract liabilities increased by 622.0% from RMB10.0 million as of December 31, 2017 to RMB72.2 million as of December 31, 2018. The balance of our contract liabilities decreased from RMB72.2 million as of December 31, 2018 to RMB25.9 million as of December 31, 2019. Such decrease was primarily due to the slowdown in the growth of our traditional payment services.

As of March 31, 2020, RMB12.8 million or 49.5% of our contract liabilities as of December 31, 2019 had been recognized as revenue.

Trade and other payables

Our trade and other payables mainly comprise payables to payment customers, which represent funds we processed to be settled with the respective payment customers. The following table sets forth a breakdown of our trade and other payables as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Payables to payment customers	227,289	955,587	957,760
Trade payables	54,249	132,385	74,112
Entry fees received from distribution channels ⁽¹⁾	41,691	80,271	56,880
Deposits from distribution channels	26,241	34,280	38,337
Payment to creditors	–	–	38,738 ⁽²⁾
Employee benefit payables	15,945	21,713	31,147
Other taxes payables	33,722	12,480	7,998
Amounts due to a related party	2,871	299	480 ⁽³⁾
Listing expenses payables	–	–	5,111
Others	6,970	10,372	11,168
Total	408,978	1,247,387	1,221,731

Notes:

- (1) Entry fees received from distribution channels were non-current liabilities.
- (2) The balance represents principal investment from senior unit investors in the Trust and related interests. See "Business — Suppliers and Our Cooperation with Financial Institutions — Financial Institutions — Entrusted Loan Partners" for details.
- (3) The non-trade balance of amounts due to a related party was fully settled in January 2020.

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Our trade and other payables increased by 205.0% from RMB409.0 million as of December 31, 2017 to RMB1,247.4 million as of December 31, 2018. Such increase in our trade and other payables was primarily due to (i) an increase in payables to payment customers reflecting unsettled payments we processed as a result of our growth in payment services, (ii) an increase in our trade payables to distribution channels, and (iii) an increase in entry fees received from distribution channels as a result of the increase in the number of our sales agents.

Our trade and other payables decreased by 2.1% from RMB1,247.4 million as of December 31, 2018 to RMB1,221.7 million as of December 31, 2019, primarily due to (i) a decrease in trade payables by 44.0% from RMB132.4 million as of December 31, 2018 to RMB74.1 million as of December 31, 2019 as a result of (a) a decrease in the purchase of payment terminals as more payment terminals cost was born by distribution channels and (b) the shortened settlement dates with some distribution channels as we selectively provided more favorable settlement period to enhance our customer acquisition, and (ii) the recognition of RMB38.7 million of payment to creditors which represented funds raised from third party creditors in relation to the small-sized retail loans granted through the Trust. See “Business — Suppliers and our Cooperation With Financial Institutions — Financial Institutions — Entrusted Loan Partners.”

Payables to payment customers

Our payables to payment customers represent funds we processed for payment customers, which are required to be settled with payment customers upon the respective contractual settlement clearance dates. Our payables to payment customers increased significantly by 320.4% from RMB227.3 million as of December 31, 2017 to RMB955.6 million as of December 31, 2018. The increase in our payables to payment customers was primarily due to the growing GPV we processed and the expansion of our payment services. Our payables to payment customers as of December 31, 2019, which amounted to RMB957.8 million, remained relatively stable compared to the balance as of December 31, 2018.

During the Track Record Period, our payables to payment customers were normally settled within several days. The contractual settlement date for our payables to payment customers was the transaction date or the business day immediately following the transaction date. As of the Latest Practicable Date, RMB954.1 million or 99.0% of our payables to payment customers outstanding as of December 31, 2019 had been settled. In compliance with the relevant regulatory requirements, a small portion of our payables to payment customers remained unsettled as of the Latest Practicable Date. Such small portion of payables to payment customers remained unsettled primarily because (i) the balance was temporarily frozen in compliance with PRC laws and regulations to assist regulatory authorities with their investigations into the relevant merchants, (ii) we detected certain suspicious transactions involving anomalies such as fraud and gambling, and we were carrying out internal inspection against them or (iii) we received notifications from our payment network of certain suspicious transactions. Such balance will be fully settled upon confirmation with the relevant payment customers.

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Trade payables

Our trade payables mainly represent (i) amounts due to suppliers for purchase of payment terminals and other equipment, (ii) commission payable to distribution channels for one-stop payment services and (iii) processing fees payable to payment network and financial institutions. The following table sets forth a breakdown of our trade payables as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Payables to payment terminals suppliers	21,761	34,791	21,484
Payables to distribution channels	23,637	88,086	49,222
Payables to payment network and financial institutions	8,792	9,382	47
Others	59	126	3,359
Total	54,249	132,385	74,112

Our trade payables primarily consist of payables to distribution channels, the contractual settlement dates of which were usually within one month during the Track Record Period. The following table sets forth an aging analysis of our trade payables, based on the invoice date, as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Up to 3 months	53,669	110,732	58,248
3 to 6 months	49	20,315	15,859
Over 6 months	531	1,338	5
Total	54,249	132,385	74,112

During the Track Record Period, a substantial portion of our trade payables were outstanding for less than three months. The increase in our trade payables which were outstanding for less than three months was primarily due to the growing GPV we processed and the expansion of our one-stop payment services. As of the Latest Practicable Date, RMB72.1 million, or 97.3% of our trade payables outstanding as of December 31, 2019 had been settled.

Entry fees received from distribution channels

Entry fees received from distribution channels represent one-off and upfront entry fees received from distribution channels, which is credited to profit or loss to off-set cost of revenue, commission to distribution channels, over a period of three years. The entry fees received from distribution channels was determined and adjusted by reference to prevailing market practice such as percentages of payment terminal cost.

Our entry fees received from distribution channels increased by 92.5% from RMB41.7 million as of December 31, 2017 to RMB80.3 million as of December 31, 2018. Such increase was primarily due to our increased use of sales agents to promote our business. Our entry fees received from

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distribution channels decreased from RMB80.3 million as of December 31, 2018 to RMB56.9 million as of December 31, 2019, primarily because (i) we adjusted pricing policies to reduce entry fees from distribution channels for our traditional payment services and (ii) we increasingly focused on app-based payment services.

Non-current Assets

Our non-current assets primarily comprise (i) property, plant and equipment, (ii) intangible assets, (iii) investments accounted for using the equity method, (iv) deferred tax assets, (v) financial assets at fair value through profit or loss and (vi) other non-current assets.

The following table sets forth the components of our non-current assets as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	10,395	29,141	39,854
Intangible assets	156	928	170,676
Investments accounted for using the equity method	6,369	37,426	31,067
Deferred tax assets	10,268	35,825	8,504
Prepayments and other receivables	818	1,233	32,279
Financial assets at fair value through profit or loss	–	–	41,046
Other non-current assets	41,178	111,279	90,450
Total	69,184	215,832	413,876

Our non-current assets increased by 91.8% from RMB215.8 million as of December 31, 2018 to RMB413.9 million as of December 31, 2019, primarily due to (i) an increase in intangible assets from RMB0.9 million as of December 31, 2018 to RMB170.7 million as of December 31, 2019 as a result of the acquisition of the business conducted through Tuozhanbao Finance in 2019 in order to further accelerate our customer expansion and increase product and service offerings. Our intangible assets comprise goodwill, customer relationship and software. The acquisition of the business conducted through Tuozhanbao Finance in 2019 resulted in the recognition of goodwill of RMB145.8 million and customer relationship of RMB24.0 million as of December 31, 2019; (ii) the balance of our financial assets at fair value through profit or loss of RMB41.0 million which represented the contingent consideration in relation to the acquisition of the business conducted through Tuozhanbao Finance in 2019. See Note 16 and 33(a) to the Accountant's Report as set out in Appendix I for details of intangible assets and business combinations, respectively.

Our non-current assets increased by 211.8% from RMB69.2 million as of December 31, 2017 to RMB215.8 million as of December 31, 2018. Such increase in our non-current assets was primarily due to (i) an increase in other non-current assets which represented unamortized costs of payment terminals as a result of our business expansion, (ii) an increase in our property, plant and equipment, (iii) an increase in investments accounted for using the equity method resulting from our increasing investments in associates and (iv) an increase in our deferred tax assets.

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Investments accounted for using the equity method

Our investments accounted for using the equity method represents the carrying amount of our investments in associates. Under the equity method, our investments were initially recognized at cost, and the carrying amount was increased or decreased to recognize our share of the profit or loss and other comprehensive income of the investee after the date of acquisition. When our share of losses in an associate equals or exceeds our interest in the associate, including any other unsecured receivables, we do not recognize further losses as we have no further legal obligation to share loss or make payments on behalf of associates. See Notes 2.3.2 and 14 to the Accountant's Report as set out in Appendix I.

During the year ended December 31, 2019, over 85% of the losses shared by our Group were contributed by Fushi and Shenzhen Chaomeng.

Fushi

We obtained significant influence over Fushi for a cash consideration of RMB5.0 million in April 2019. During the year ended December 31, 2019, we recognized RMB5.0 million accumulated loss from Fushi, as Fushi only commenced business in April 2019 and is still at the stage of growth. As a result, the carrying amount of our Group's investment in Fushi amounted to nil as of December 31, 2019. In December 2019, to further support the development of Fushi, we and RYK Capital Partners Limited, an associate of our Group, agreed to make capital contributions into Fushi in 2020. We deposited a prepayment of RMB10.0 million with Fushi in 2019. We entered into the formal agreement in April 2020. According to the terms of such agreement, our Group and RYK Capital Partners Limited will inject approximately RMB 15.0 million and USD 4.5 million of capital into Fushi, respectively. Capital contributions were made by the relevant parties in April 2020, and our shareholding in Fushi will be slightly diluted and we will hold an equity interest in Fushi of less than 45%, while Fushi will continue to be accounted for as an associate of the Group. See Note 21(a)(ii) to the Accountant's Report as set out in Appendix I.

Shenzhen Chaomeng

Since becoming an associate of our Group in May 2018, Shenzhen Chaomeng has been one of our important sales partners.

Shenzhen Chaomeng has focused on expanding its market share in 2018 and 2019, which made it loss making. In addition to the commission income received from us, Shenzhen Chaomeng has other sources of income, including (i) revenue from marketing business; and (ii) other income such as sale of payment terminals.

With the assistance of valuation performed by a third-party independent valuer using market approach, our Directors assessed that the recoverable amount of Shenzhen Chaomeng as of December 31, 2019 was lower than its carrying amount of investment by RMB3.4 million. Accordingly, an impairment provision of the same amount had been charged against the investment and recorded as an expense in the financial statements of our Group for the year ended December 31, 2019.

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The cash flows position of Shenzhen Chaomeng has been adversely affected by the outbreak of COVID-19 in early 2020 as part of its business operation was temporarily suspended. The adverse impact of the outbreak of COVID-19 on Shenzhen Chaomeng is expected to be temporary as the outbreak has been largely contained in China since March 2020. The business operation of Shenzhen Chaomeng gradually resumed since March 2020. We will continuously update our assessment on the fair market value of this investment in the future based on the changing macro-economic conditions as well as the specific factors of Shenzhen Chaomeng.

Other non-current assets

The balance of other non-current assets represents the cost of payment terminals which is amortized over three years in accordance with the expected benefit period. See Note 17 to the Accountant's Report as set out in Appendix I.

Non-current Liabilities

Our non-current liabilities primarily comprise (i) financial liabilities at fair value through profit or loss, (ii) lease liabilities and (iii) other payables.

The following table sets forth the components of our non-current liabilities as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Financial liabilities at fair value through profit or loss	792,071	1,008,948	1,373,447
Deferred tax liabilities	–	–	6,002
Lease liabilities	886	13,301	17,568
Other payables	41,691	80,271	56,880
Total	834,648	1,102,520	1,453,897

Our non-current liabilities increased by 32.1% from RMB834.6 million as of December 31, 2017 to RMB1,102.5 million as of December 31, 2018. The balance of our non-current liabilities continued to increase by 31.9% from RMB1,102.5 million as of December 31, 2018 to RMB1,453.9 million as of December 31, 2019. The increase in our non-current liabilities was primarily due to an increase in our financial liabilities at fair value through profit or loss as a result of an increase in the valuation of our Company.

The Preferred Shares will be automatically converted into ordinary shares upon completion of the Global Offering and thus we will not incur fair value changes of Preferred Shares thereafter.

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INDEBTEDNESS

Our indebtedness mainly includes interest-bearing bank borrowings. The following table sets forth a breakdown of our interest-bearing borrowings, lease liabilities and other payables due to creditors as of the dates indicated:

	As of December 31,			As of
	2017	2018	2019	March 31, 2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Non-current				
Lease liabilities	886	13,301	17,568	14,389
Current				
Bank borrowings				
(unsecured with guarantee)	51,400	45,100	116,500	115,000
Bank borrowings				
(unsecured without guarantee) ...	224,308	–	–	–
Borrowings from other non-bank financial institution				
(unsecured with guarantee)	–	–	20,000	10,000
Lease liabilities	5,286	6,112	10,212	7,953
Other payables				
– payable to creditors	–	–	38,738	39,598
	<u>280,994</u>	<u>51,212</u>	<u>185,450</u>	<u>172,551</u>
Total	<u>281,880</u>	<u>64,513</u>	<u>203,018</u>	<u>186,940</u>

As of December 31, 2017, 2018 and 2019 and March 31, 2020, our borrowings amounted to RMB275.7 million, RMB45.1 million, RMB136.5 million and RMB125.0 million, respectively, and all of our borrowings were short-term and would mature within one year. For the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, our bank borrowings with guarantee bore an effective interest rate of 5.3%, 5.3%, 5.5% and 5.5% per annum, respectively, while our bank borrowings without guarantee bore an effective interest rate of 5.5% for the year ended December 31, 2017. For the year ended December 31, 2019, among our borrowing from other non-bank financial institution with guarantee, RMB10.0 million bore an effective interest rate of 6.5% per annum and the remaining RMB10.0 million bore an effective interest rate of 12.0% per annum. For the three months ended March 31, 2020, our borrowing from other non-bank financial institution with guarantee bore an effective interest rate of 6.5% per annum. For the year ended December 31, 2019 and the three months ended March 31, 2020, our other payables due to creditors bore an effective interest rate of 8.0% to 8.5% per annum. As of March 31, 2020, we had unutilized banking and other facilities of RMB364.2 million.

Save as otherwise disclosed in this prospectus, as of March 31, 2020, we did not have any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to issue), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, finance lease commitments, hire purchase commitments, any guarantees or other material contingent liabilities.

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Our Directors confirm that as of the Latest Practicable Date, the agreements for our bank borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no material defaults in payment of our liabilities, and/or breaches of financial covenants during the Track Record Period. We currently do not have any plans for material additional external financing other than the Global Offering.

CONVERTIBLE REDEEMABLE PREFERRED SHARES

As of December 31, 2017, 2018 and 2019, the convertible redeemable preferred shares had fair values of RMB922.1 million, RMB1,179.2 million and RMB1,373.4 million, respectively. For further information regarding the convertible redeemable preferred shares, see Note 30 to the Accountant's Report as set out in Appendix I.

CONTINGENT LIABILITIES AND GUARANTEES

We provide guarantees in offering loan facilitation services for loans granted by some of our loan facilitation partners. As of December 31, 2019 and March 31, 2020, the maximum guarantees related to loan facilitation services amounted to approximately RMB7.2 million and RMB5.8 million, respectively.

Save as disclosed above, as of December 31, 2017, 2018 and 2019 and March 31, 2020, we did not have any material contingent liabilities or guarantees.

CAPITAL EXPENDITURES

Our capital expenditures primarily consist of payments for property, plant and equipment and intangible assets, and payments for other non-current assets. The following table sets forth our capital expenditures for the years indicated:

	For the year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Payments for property, plant and equipment and intangible assets	3,749	11,153	8,487
Payments for other non-current assets	41,975	76,637	96,821
Total	<u>45,724</u>	<u>87,790</u>	<u>105,308</u>

During the Track Record Period, our capital expenditures were primarily related to the purchase of servers, motor vehicles, software and other non-current assets. We primarily funded these expenditures with cash generated from our operations and bank borrowings.

We estimated that our capital expenditures for 2020 will be approximately RMB62.8 million, which we will use primarily for purchasing property, plant and equipment, intangible assets and payment terminals. We plan to fund these capital expenditures with a combination of cash generated from our operations, bank borrowings and the net proceeds received from the Global Offering.

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CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of the Latest Practicable Date, we did not have any significant capital and other commitments, long-term obligations, or guarantees.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into a number of related party transactions. For more details about our related party transactions, see Note 35 to the Accountant's Report as set out in Appendix I.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted according to the fair value determined by the market and they did not distort our results of operations or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET ARRANGEMENTS

We provide guarantees in offering loan facilitation services for loans granted by some of our loan facilitation partners. As of December 31, 2019, the maximum guarantees related to loan facilitation services amounted to approximately RMB7.2 million. As of December 31, 2019, approximately RMB31,000, or 0.4% of the underlying loans from these financial guarantee were over due and underperforming. Based on our credit risk assessment, the corresponding expected credit loss provision was not material and therefore no financial guarantee liability was recognized in our consolidated statement of financial position as of December 31, 2019.

Save as disclosed above, during the Track Record Period and as of the Latest Practicable Date, we have not entered into any off-balance-sheet arrangements.

FINANCIAL RISK DISCLOSURE

Our activities expose us to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by our senior management.

Market Risk

Foreign exchange risk

Our businesses are principally conducted in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from recognized assets and liabilities and net investments in foreign operations.

We operate mainly in the PRC with most of the transactions settled in RMB, we consider that our business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of us that are denominated in the currencies other than the respective functional currencies of our Group's entities. We did not enter into any forward contract to hedge our exposure to foreign currency risk for the years ended December 31, 2017, 2018 and 2019.

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We recognized currency translation gain of RMB35.3 million as other comprehensive income for the year ended December 31, 2017, and recognized currency translation losses as other comprehensive loss of RMB41.2 million and RMB20.0 million for the years ended December 31, 2018 and 2019, respectively. Such currency translation differences mainly arose from the translation differences from the function currency (i.e. USD) of our Company to the presentation currency (i.e. RMB) of our Group when preparing the consolidated financial statements and were primarily related to the Preferred Shares issued by our Company. Our currency translation losses for the years ended December 31, 2018 and 2019 were mainly attributable to the depreciation of RMB against USD, whereas currency translation gain recognized for the year ended December 31, 2017 was due to the appreciation of RMB against USD.

Cash flow interest rate risk

Our interest rate risk arises from borrowings. Borrowings obtained at variable rates expose us to cash flow interest rate risk. We currently have not entered into any interest rate swap contract and will only consider for hedging of significant interest rate risk.

As of December 31, 2017, 2018 and 2019, all of the borrowings are in short-term, and bank borrowings were bearing with variable rates and other borrowings were bearing with fixed rates.

Sensitivity

	Impact on post tax profit		
	Year ended December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Interest rates — increase by			
100 basis points	(2,344)	(383)	(1,479)
Interest rates — decrease by			
100 basis points	2,344	383	1,479

Credit Risk

We are exposed to credit risk in relation to our cash and cash equivalents, restricted cash and other receivables. Starting from the last quarter in 2019, our Group also provided guarantees in offering loan facilitation services for loans granted by certain of our Group's loan facilitation partners. Pursuant to the terms of the guarantees, upon default in repayments by the lenders, our Group will be responsible to repay the outstanding loan principals together with accrued interest and penalty owed by the lenders to certain of our Group's loan facilitation partners.

Risk management

For cash and cash equivalents and restricted cash, we manage the credit risk by placing deposits in state-owned financial institutions in the PRC or reputable banks, financial institutions having high-credit-quality in the PRC, Hong Kong and Cayman Islands.

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For trade and other receivables, we have policies in place to ensure that sale of service is made to customers with an appropriate credit history. We also have other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables represent our maximum exposure to credit risk in relation to financial assets.

As of December 31, 2019, the maximum exposure arisen from the provision of financial guarantee to certain loan facilitation parties amounted to approximately RMB7.2 million, being the principals and interests of the underlying loans which were granted by our Group's loan facilitation partners by or after mid of December 2019 with terms from three to 12 months. As of December 31, 2019, almost none of the underlying loans from these financial guarantee were over due and underperforming. Based on our credit risk assessment, the corresponding expected credit loss provision was not material and therefore no financial guarantee liability was recognised in our Group's consolidated statement of financial position as of December 31, 2019.

Impairment of financial assets

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Impairment of trade receivables

We apply the IFRS 9 simplified approach to measuring the ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the number of days the balances are past due. We had no trade receivable as of December 31, 2017 and 2018 due to the business nature of payment services. As to the balance as of December 31, 2019, our Directors considered their short aging and assessed that the credit risk is not significant. Therefore, the related loss allowance is immaterial, if there is any.

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Impairment of other receivables

Other receivables are subject to the ECL model. Our other receivables comprise: receivables from payment networks, loan receivables and amount due from related parties and deposits. Our Directors consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk, we compare risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third-party debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the third-party debtor; and
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor.

All amounts due from related parties are all repayable on demand. Except for the impairment identified in amount due from Shenzhen Chaomeng and the provision being made as of December 31, 2019 (see Note 21(b)(iv) to the Accountant's Report in Appendix I to this prospectus), there has been no default history in the past and the related loss allowance limited to 12 months ECL is immaterial.

Receivables from payment networks are settled within several days and most of the deposits are made to payment networks or financial institution. We are exposed to limited credit risk from the such receivable balances and there is no significant increase of credit risk since initial recognition, therefore related loss allowance limited to 12 months ECL is immaterial.

For loan receivables, the expected loss rates are based on the historical loss rates as well as the average expected loss rates of some small loan companies in the same industry. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables.

As to loan receivables, a significant increase in credit risk is presumed when they become overdue. Under such case, the loan receivables are classified as underperforming receivables.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with us. We write off receivables when a debtor fails to make contractual payments or repayables demanded greater than 180 days past due. Where loans or receivables have been written off, we continue to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

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During the Track Record Period, we provided for credit losses against loan receivables as follows:

Loan receivables	Expected credit loss rate	Carrying amount (net of impairment provision)		Expected credit loss rate	Carrying amount (net of impairment provision)		Expected credit loss rate	Carrying amount (net of impairment provision)	
		Gross amount			Gross amount			Gross amount	
	As of December 31, 2017			As of December 31, 2018			As of December 31, 2019		
		RMB'000	RMB'000		RMB'000	RMB'000		RMB'000	RMB'000
Loan Receivable									
– Performing	2%	3,904	3,838	2%	26,849	26,377	2%	228,069	223,964
– Underperforming	61%	550	217	35%	3,991	2,592	42%	14,546	8,407
		<u>4,454</u>	<u>4,055</u>		<u>30,840</u>	<u>28,969</u>		<u>242,615</u>	<u>232,371</u>

Our Directors assessed and determined the 12 month expected loss rate of performing loans to be 2% throughout the Track Record period, based on our Group's actual historical loss rate that has remained stable during the Track Record Period, adjusted by forward-looking information on macro-economic factors affecting customers' repayment ability.

No significant changes to estimation techniques or assumptions were made.

Movement on the provision for impairment of loan receivables are set out as follows:

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At the beginning of the year	43	399	1,871
Provision for impairment	356	1,472	17,907
Write off of bad debts	–	–	(9,534)
At the end of the year	<u>399</u>	<u>1,871</u>	<u>10,244</u>

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, we maintain flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses our financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

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	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2019				
Trade payables	74,112	–	–	74,112
Other payables and accruals (excluding accrual for payroll and welfare allowances, entry fees received from distribution channels and other taxes payable)	1,054,453	–	–	1,054,453
Lease liabilities	11,726	12,052	6,476	30,254
Borrowings and interest payment	140,919	–	–	140,919
Financial liabilities at fair value through profit or loss	–	–	606,744	606,744
Financial guarantee	7,200	–	–	7,200
	1,288,410	12,052	613,220	1,913,682
As at December 31, 2018				
Trade payables	132,385	–	–	132,385
Other payables and accruals (excluding accrual for payroll and welfare allowances, entry fees received from distribution channels and other taxes payable)	1,000,538	–	–	1,000,538
Lease liabilities	7,186	6,479	7,879	21,544
Borrowings and interest payment	46,123	–	–	46,123
Financial liabilities at fair value through profit or loss	16,169	401,649	197,160	614,978
	1,202,401	408,128	205,039	1,815,568
As at December 31, 2017				
Trade payables	54,249	–	–	54,249
Other payables and accruals (excluding accrual for payroll and welfare allowances, entry fees received from distribution channels and other taxes payable)	263,371	–	–	263,371
Lease liabilities	5,515	906	–	6,421
Borrowings and interest payment	276,844	–	–	276,844
Financial liabilities at fair value through profit or loss	15,394	–	592,275	607,669
	615,373	906	592,275	1,208,554

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DIVIDEND

We are a holding company incorporated under the laws of the Cayman Islands. Any dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our memorandum of association and our articles of association and the Cayman Companies Law. Our shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman legal advisers, dividend may be declared or paid out of our profits and reserves lawfully available for distribution. Provided that we will be able to pay our debts as they fall due in the ordinary course of business immediately following the date on which the dividend is proposed to be paid, position of net liabilities or accumulated losses may not necessarily restrict us from declaring and paying dividends to our Shareholders.

Dividend distribution to our Shareholders is recognized as a liability in the period in which the dividends are approved by our Shareholders or Directors, where appropriate. During the Track Record Period, we did not declare or pay any dividend. We do not have a fixed dividend payout ratio.

DISTRIBUTABLE RESERVES

As of December 31, 2019, our Company did not have any distributable reserves.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to the Shareholders as of December 31, 2019 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group had the Global Offering been completed as of December 31, 2019 or at any future dates.

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	Unadjusted audited consolidated net tangible liabilities of the Group attributable to the Owners of the Company as of December 31, 2019 ⁽¹⁾		Estimated impact related to the change of terms of redeemable preferred shares upon Listing ⁽³⁾	Unaudited pro forma adjusted net tangible assets of the Group attributable to the Owners of the Company		Unaudited pro forma adjusted net tangible assets per Share ⁽⁴⁾⁽⁵⁾	
	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets of the Group attributable to the Owners of the Company					
	RMB'000	RMB'000		RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$12.64 per Share . . .	(726,172)	1,072,933	1,373,447	1,720,208	4.57	4.99	
Based on an Offer Price of HK\$16.64 per Share . . .	(726,172)	1,423,390	1,373,447	2,070,665	5.50	6.01	

Notes:

- (1) The unadjusted audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as of December 31, 2019 is extracted from the Accountant's Report as set out in Appendix I, which is based on the audited consolidated net liabilities of the Group attributable to the owners of the Company as of December 31, 2019 of approximately RMB555,496,000 with an adjustment for the intangible assets as of December 31, 2019 of approximately RMB170,676,000.
- (2) The estimated net proceeds to be received by the Company from the Global Offering are based on the indicative Offer Price of HK\$12.64 and HK\$16.64 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company (excluding approximately RMB25,171,000 listing expenses which have been charged to our consolidated income statements up to December 31, 2019), and does not take into account any shares which may be sold pursuant to the exercise of the Over-allotment Option or upon the exercise of the RSUs granted under the RSU Scheme or any Shares that may be issued or repurchased by the Company under the general mandates granted to our Directors.
- (3) Upon the Listing and the completion of the Global Offering, all the Preferred Shares will be automatically converted into ordinary shares. These Preferred Shares will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to the owners of the Company will be increased by RMB1,373,447,000, being the carrying amounts of the Preferred Shares as of December 31, 2019.
- (4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 376,349,720 Shares were in issue (excluding the 38,452,952 Shares held by RSU Nominees) assuming that the Global Offering has been completed on December 31, 2019 but does not take into account any shares which may be sold pursuant to the exercise of the Over-allotment Option or upon the exercise of the RSUs granted under the RSU Scheme or any Shares that may be issued or repurchased by the Company under the general mandates granted to our Directors.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of HK\$1.00 to RMB0.9150. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2019.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As of the Latest Practicable Date, our Directors confirm that there are no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this prospectus, other than the outbreak of COVID-19 as described in "Summary — Recent Developments", there has been no material adverse change in our financial and trading positions or prospects since December 31, 2019, being the end of the period reported on the Accountant's Report as set out in Appendix I.

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LISTING EXPENSES

The listing expenses in connection with the Global Offering primarily consist of underwriting commissions and professional fees and, assuming an Offer Price of HK\$14.64 per Share, being the mid-point of the proposed Offer Price range, are estimated to be RMB99.4 million. During the Track Record Period, we incurred listing expenses of RMB33.2 million of which RMB25.2 million was recognized in the consolidated statement of comprehensive income for the year ended December 31, 2019 and RMB8.0 million was recognized as prepayments in the consolidated statement of financial position as of December 31, 2019 which will be accounted for as a deduction from equity upon Listing. Subsequent to the Track Record Period, we expect to further incur listing expenses of RMB66.2 million prior to and upon completion of the Global Offering, of which (i) RMB21.5 million is expected to be recognized as expenses in our consolidated statement of comprehensive income; and (ii) RMB44.7 million is expected to be accounted for as a deduction from equity upon Listing under the relevant accounting standard.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,336.6 million (after deducting the underwriting commissions and other estimated expenses paid and payable by us in relation to the Global Offering and assuming the full payment of the discretionary incentive fees), assuming an Offer Price of HK\$14.64 per Share, being the mid-point of the Offer Price range of HK\$12.64 to HK\$16.64 per Share, and that the Over-allotment Option is not exercised.

In line with our strategies, we intend to use the net proceeds that we will receive from the Global Offering for the purposes and in the amounts set forth below:

- approximately 20.0%, or HK\$267.3 million, for implementing sales and marketing initiatives in China and overseas markets to expand our customer base and increase our payment transaction volume. We will continue to focus on micro and small merchants in various industries, and the opportunities in the “Belt and Road” regions. Out of the net proceeds to be used for this purpose, we intend to use:
 - (i) approximately 10.0%, or HK\$133.7 million, for selectively pursuing strategic alliances with, investment in, or acquisitions of growth stage payment platforms with attractive and complementary customer bases, to enrich our clientele and realize synergies with our service offerings. We expect the acquisitions of payment platforms with complementary customer bases will facilitate synergies and thus reduce customer acquisition costs. However, whether general business expansion will reduce customer acquisition costs depends on a range of factors, including general economic conditions, our abilities to retain customers, cross-sell and offer new services, our pricing policy, and our relationship with partners and suppliers. Our goal is to create synergies with these payment platforms, rather than purely pursuing financial returns. Our criteria for selecting such targets include having (i) a customer base of at least 100,000 merchants from targeted industries or regions; (ii) a break even period, calculated as the time it takes for monthly revenue to cover monthly costs and expenses on an accounting basis, of three to five years and an investment payback period, calculated as the time it takes for accumulated share of profits to cover investment costs, of three to ten years, on the basis that (1) the size of each of our investments is expected to be under RMB30.0 million; (2) we expect a typical growth stage company of comparable size in the industry normally takes at least two to three years of rapid growth to reach the minimum scale for financial breakeven; and (3) we will only begin to recoup our investment costs after financial break even; and (iii) healthy historical operating cash flows. As of the Latest Practicable Date, we had not identified or pursued any such acquisition target;
 - (ii) approximately 10.0%, or HK\$133.7 million, for enhanced marketing and promotion. We will (1) recruit not less than 100 sales and marketing staff over the next three years. In light of the rapid growth in our payment services, we will need more personnel to support our sales and marketing efforts. The current structure of our sales

FUTURE PLANS AND USE OF PROCEEDS

and marketing team is relatively lean, with 57 staff as of December 31, 2019. As the base number is relatively small, the intended increase in headcount represents a year-on-year growth rate of not less than 25%. We expect these staff to have bachelor's degree or above and at least three years' working experience, with an average monthly salary of RMB15,000 to RMB20,000. The sales force will be mainly responsible for implementing product and marketing strategies and maintenance of relationship with customers and distribution channels; (2) raise our brand awareness with enhanced marketing efforts; and (3) attract premium distribution channel operators by offering more appealing incentives.

- approximately 35.0%, or HK\$467.8 million, for expanding our technology-enabled business services offerings, including:
 - (i) approximately 10.0%, or HK\$133.7 million, for developing and enhancing our merchant SaaS products. We will seek to horizontally and vertically expand the coverage of our merchant SaaS products, offering more comprehensive tools to cater for merchants' needs. Horizontally, we will adapt our SaaS products to cater to the general needs of a wide range of industries. For example, we plan to develop WeChat mini-program-based analytics product for boosting product sales. Vertically, we will utilize our understanding of the food and beverage, wholesale and retail industry to optimize the functionalities of our SaaS products. For example, we will develop WeChat mini-program-based scheduled food delivery and cash register functionalities;
 - (ii) approximately 10.0%, or HK\$133.7 million, for developing and enhancing our marketing services. Utilizing data assets that we accumulated from our services and third-party traffic data, we will further develop and enhance our data management platform to more efficiently host the demand and supply side platforms for advertisement placement exchange;
 - (iii) approximately 5.0%, or HK\$66.8 million for developing and enhancing our fintech services. We will recruit more industry experts, enhance our risk management models, deepen collaborations with financial institutions and widen our fintech service offerings. In particular, we will extend loan facilitation services on our platform, and our capability in offering technology-enabled services to financial institutions;
 - (iv) approximately 5.0%, or HK\$66.8 million, for selectively pursuing strategic alliances with, investment in or acquisitions of highly complementary business service providers, including advertising platforms and SaaS developers. In particular, targets should have an attractive customer base to whom we may extend our service offerings, and/or business services offerings that may appeal to our customers. We will look for business service providers with a customer base of not less than 50,000 merchants or strong competitive edges. As of the Latest Practicable Date, we had not identified or pursued any acquisition target;
 - (v) approximately 5.0%, or HK\$66.8 million, for recruiting not less than 100 business specialists and product managers in technology-enabled business services over the next three years to accelerate the development of our SaaS products, marketing services and fintech services. As of December 31, 2019, our product and operation

FUTURE PLANS AND USE OF PROCEEDS

team had 126 staff, and the intended increase in headcount represents a year-on-year growth rate of not less than 20%. We expect these staff to have bachelor's degree or above and at least four years' working experience, with an average monthly salary of RMB25,000-RMB50,000. They should have a background in areas including the operation and management of SaaS products, medium marketing strategy, and/or risk control modelling;

- approximately 35.0%, or HK\$467.8 million, for enhancing our research and technology capabilities, including:
 - (i) approximately 15.0%, or HK\$200.5 million, for attracting, cultivating and retaining talents in the areas of big data analytics and AI with competitive compensation. In particular, we plan to recruit not less than 200 experienced research and development staff over the next three years. As we expect the competition in technology infrastructure to intensify among industry participants, we will need more research and development personnel to maintain and strengthen our edge. Our research and development team had 199 staff as of December 31, 2019, and is relatively small compared to companies of comparable size. The intended increase in headcount represents a year-on-year growth rate of not less than 25%. We expect these staff to have bachelor's degree or above from leading universities, with an average monthly salary of RMB30,000-RMB60,000. They should have a background in machine learning, data mining, recommender system, risk management platform and/ or payment data management;
 - (ii) approximately 10.0%, or HK\$133.7 million, for upgrading our cloud computing system and our big data system infrastructure. We will standardize and modularize our cloud computing system to enhance scalability and stability, and increase the processing power of our big data system to support more sophisticated analytics. In particular, we will reorganize our systems into modules, each of which can work on its own, or in conjunction with other modules to execute more complex calculations. Modularization facilitates resources management and standardization. Standardized modules can be deployed to various tasks according to business needs, affording adequate computing power. These upgrades will enhance the stability of our payment and business service cloud systems, and the precision of our marketing data analytics; and
 - (iii) approximately 10.0%, or HK\$133.7 million, for supporting the research and development efforts of our AI laboratory. To support our efforts in enhancing the service offerings and exploring application of innovative technologies, we will explore the application of AI technologies including machine learning and computer vision to enhance our products and services offerings;
- approximately 10.0%, or HK\$133.7 million, for working capital and other general corporate purposes.

FUTURE PLANS AND USE OF PROCEEDS

Implementation Timeline

The table below sets forth the expected implementation timetable of our planned use of proceeds:

	For the year ending December 31,			
	2020	2021	2022	Total
	(HK\$ in millions)			
Expansion of customer base	80.2	90.9	96.2	267.3
Strategic alliances with, investment in, or acquisition of payment platforms ..	40.1	45.4	48.1	133.7
Marketing and promotion	40.1	45.4	48.1	133.7
Expansion of products and services offerings	140.3	159.1	168.4	467.8
Enhancing merchant SaaS products	40.1	45.4	48.1	133.7
Enhancing marketing services	40.1	45.4	48.1	133.7
Enhancing Fintech services	20.0	22.7	24.1	66.8
Strategic alliances with, investment in or acquisition of business service providers	20.0	22.7	24.1	66.8
Recruiting business specialists and product managers	20.0	22.7	24.1	66.8
Investment in research and technology capabilities	120.3	161.1	186.5	467.8
Recruiting technical talents	40.1	70.2	90.2	200.5
Upgrading cloud computing and big data system infrastructure	40.1	45.4	48.1	133.7
Supporting research and development efforts of AI laboratory	40.1	45.4	48.1	133.7
Working capital and general corporate purposes	40.1	45.4	48.1	133.7
Total	380.9	456.5	499.2	1,336.6

Range of Net Proceeds

In the event that the Offer Price is set at the high end or the low end of the Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK\$191.5 million and HK\$191.5 million, respectively. Under such circumstances, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the additional net proceeds that the Company will receive will be approximately HK\$210.0 million, assuming an Offer Price of HK\$14.64 per Share, being the mid-point of the Offer Price range. The Company may be required to issue up to an aggregate of 14,808,400 additional Shares pursuant to the Over-allotment Option.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our development plan as intended, we may hold such funds in short-term deposits or purchase short-term wealth management products so long as it is deemed to be in the best interests of the Company.

OUR CORNERSTONE INVESTOR

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement (the "**Cornerstone Investment Agreement**") with Recruit Holdings (the "**Cornerstone Investor**"), pursuant to which the Cornerstone Investor has agreed to, subject to certain conditions, subscribe at the Offer Price for a certain number of our Offer Shares (rounded down to the nearest whole board lot of 400 Shares, the "**Investor Shares**") which shall be the lower of (i) the number of Offer Shares that may be purchased with an amount of US\$50.0 million (or approximately HK\$387.5 million) or (ii) the number of Offer Shares that, together with the existing Shares held by the Cornerstone Investor, represents no more than 10% of the total issued share capital of our Company upon Listing (the "**Cornerstone Placing**").

Our Company is of the view that the Cornerstone Placing ensures a reasonable size of solid commitment at the beginning of the marketing period and provides confidence to the market, particularly the retail investors who may take comfort in knowing that our Company is vouched for by the Cornerstone Investor who are willing to be subject to a six-month lock-up period.

To the best knowledge of our Company after making reasonable enquiries, save for being an existing Shareholder of our Company, (i) the Cornerstone Investor is an independent third party and is not our connected person; (ii) the subscription of the relevant Offer Shares by the Cornerstone Investor is not financed directly or indirectly by our Company, any of our subsidiaries, any of our Directors, any of our other existing Shareholders or their respective close associates; and (iii) the Cornerstone Investor is not accustomed to take instructions from a core connected person of our Company, our Company, any of our subsidiaries, any of our Directors, any of our other existing Shareholders or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares.

As confirmed by the Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by its own internal resources. There are no side arrangements between our Company and the Cornerstone Investor or any benefit, direct or indirect, conferred on the Cornerstone Investor by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

Pursuant to the Cornerstone Investment Agreement, the Company and the Joint Global Coordinators may in their sole discretion determine that delivery of all or a portion of the Investor Shares shall take place on a date later than the Listing Date (the "**Delayed Delivery Date**"), provided that the Delayed Delivery Date shall be no later than three business days following the last day on which the Over-allotment Option may be exercised. If the Investor Shares are to be delivered to the Cornerstone Investor on the Delayed Delivery Date, the Cornerstone Investor shall nevertheless pay for the Investor Shares on the Listing Date. Notwithstanding the foregoing, the Company and the Joint Global Coordinators do not intend to delay the delivery of the Investor Shares.

OUR CORNERSTONE INVESTOR

The Cornerstone Investor, being an existing Shareholder of our Company, has been permitted to participate in the Cornerstone Placing pursuant to a waiver from strict compliance with Rule 10.04 of the Listing Rules and consent letter under paragraph 5(2) of Appendix 6 to the Listing Rules as further described in “Waivers from Strict Compliance with the Listing Rules.”

The Cornerstone Investor will acquire the Offer Shares pursuant to, and as part of, the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company under Rule 8.24 of the Listing Rules. The Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering (other than and pursuant to the Cornerstone Investment Agreement). Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any board representation in our Company, nor will the Cornerstone Investor become a substantial shareholder of our Company.

The Offer Shares to be subscribed for by the Cornerstone Investor may be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation.” Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by our Company on or around May 29, 2020.

THE CORNERSTONE INVESTOR

Recruit Holdings

Recruit Holdings, an existing Shareholder and a Pre-IPO Investor of our Company, currently holds 4.98% of the issued share capital of our Company. Recruit Holdings is a company established in Japan which offers a wide range of services in a variety of areas including human resources, education, housing and real estate, bridal, travel, automobiles, dining and beauty and whose shares are listed on The Tokyo Stock Exchange with stock code 6098. The investment priorities of Recruit Holdings include (i) technology-enabled human resources services and (ii) SaaS related services, especially in Japan and China. In the past five years, the accumulated investment scale of Recruit Holdings and its affiliates has reached approximately JPY370 billion.

OUR CORNERSTONE INVESTOR

The following table sets forth details on the Cornerstone Placing:

Offer Price per Share	Total investment amount (US\$ in millions)	Total investment amount (HK\$ in millions) ⁽¹⁾	Number of Offer Shares to be subscribed ⁽²⁾	Assuming the Over-allotment Option is not exercised and immediately upon the completion of the Global Offering			Assuming the Over-allotment Option is fully exercised and immediately upon the completion of the Global Offering		
				Approximate percentage of the Offer Shares	Approximate percentage of the Investor Shares in our total issued share capital	Approximate shareholding percentage in our Company	Approximate percentage of the Offer Shares	Approximate percentage of the Investor Shares in our total issued share capital	Approximate shareholding percentage in our Company
HK\$12.64 to HK\$15.06	42.0 to 50.0	325.2 to 387.5	25,731,600	26.06%	6.19%	9.99%	22.66%	5.99%	9.66%
HK\$14.64 (being the mid-point of the indicative Offer Price range).	48.6	376.7	25,731,600	26.06%	6.19%	9.99%	22.66%	5.99%	9.66%
HK\$15.07 to HK\$16.64.	50.0	387.5	23,289,200 to 25,715,600	23.59% to 26.05%	5.61% to 6.19%	9.41% to 9.99%	20.51% to 22.65%	5.42% to 5.99%	9.09% to 9.65%

Notes:

1. Calculated based on an exchange rate of US\$1.00: HK\$7.7507 as described in "Information about this Prospectus and the Global Offering — Exchange Rate Conversion." The actual investment amount of the Cornerstone Investor may change due to the actual exchange rate to be used as prescribed in the Cornerstone Investment Agreement.
2. Subject to rounding down to the nearest whole board lot of 400 Shares.

CLOSING CONDITIONS

The obligations of the Cornerstone Investor to subscribe for the Offer Shares under the Cornerstone Investment Agreement is subject to, among others things, the following closing conditions:

- (i) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;
- (ii) the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (on behalf of the Underwriters of the Global Offering) in connection with the Global Offering;
- (iii) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

OUR CORNERSTONE INVESTOR

- (iv) no Laws (as defined in the Cornerstone Investment Agreement) shall have been enacted or promulgated by any Governmental Authority (as defined in the Cornerstone Investment Agreement) which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (v) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that without the prior written consent of each of our Company, the Joint Global Coordinators and the Joint Sponsors, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**"), dispose of (as defined in the Cornerstone Investment Agreement), in any way, any of the Offer Shares it has purchased or any interest in any company or entity holding any of such Offer Shares pursuant to the Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries which will be bound by the same obligations of the Cornerstone Investor, including the Lock-up period restriction.

UNDERWRITING

HONG KONG UNDERWRITERS

CLSA Limited
Nomura International (Hong Kong) Limited
ABCI Securities Company Limited
Haitong International Securities Company Limited
China Merchants Securities (HK) Co., Limited
ICBC International Securities Limited
Futu Securities International (Hong Kong) Limited
China Galaxy International Securities (Hong Kong) Co., Limited
uSmart Securities Limited

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 9,872,800 Hong Kong Offer Shares and the International Offering of initially 88,851,200 International Offer Shares, subject, in each case, to adjustment on the basis as described in the section headed "Structure of the Global Offering" as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING AGREEMENT AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering initially 9,872,800 Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to (i) the Listing Committee granting the listing of, and permission to deal in, the Shares; (ii) the International Underwriting Agreement having been signed and becoming unconditional; and (iii) certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally and not jointly agreed to apply or procure applications, on the terms and conditions of this prospectus and the related Application Forms, for their respective proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering.

Grounds for Termination

The Joint Global Coordinators, for themselves and on behalf of the Hong Kong Underwriters, and the Joint Sponsors shall be entitled by notice (orally or in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into effect:
 - (i) any event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the Cayman Islands, the British Virgin Islands or the United States (collectively, the "**Relevant Jurisdictions**"); or

UNDERWRITING

- (ii) any change, or any development involving a prospective change (whether or not permanent), or any event or circumstance likely to result in any change or development involving a prospective change in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or
- (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, the PRC, the European Union (or any member thereof) or any other Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or
- (v) any new laws, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in, or in the interpretation or application by any court or other competent authorities of, existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the United States dollar, Euro, Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (viii) any proceedings of any third party being threatened or instigated against any member of the Group or the Controlling Shareholders; or
- (ix) an authority or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group or any Director or any director of any subsidiary or the Controlling Shareholders; or

UNDERWRITING

- (x) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xi) any change or prospective change in, or a materialization of, any of the risks set out in "Risk Factors" in this prospectus; or
- (xii) an order or petition for the winding-up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or
- (xiii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators and the Joint Sponsors:

- (A) has or will have or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or
- (B) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Offer Shares in the secondary market; or
- (C) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or
- (D) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

UNDERWRITING

- (b) there has come to the notice of the Joint Global Coordinators and the Joint Sponsors that:
- (i) an executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
 - (ii) the chairman or chief executive officer of the Company vacating his office; or
 - (iii) a contravention by any member of the Group of the Listing Rules or applicable laws in any material respect; or
 - (iv) a prohibition on the Company or the Controlling Shareholders for whatever reason from offering, allotting, issuing, selling or delivering any of the Offer Shares (including the option shares) pursuant to the terms of the Global Offering; or
 - (v) that any statement contained in any of this prospectus and the Application Forms and/or in any notices or announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate in any material respect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
 - (vi) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of this prospectus, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
 - (vii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
 - (viii) any event, act or omission which gives or is likely to give rise to any liability of any of the Company and the Controlling Shareholders pursuant to the Hong Kong Underwriting Agreement; or
 - (ix) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or

UNDERWRITING

- (x) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties; or
- (xi) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued under the RSU Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (xii) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (xiii) PricewaterhouseCoopers, Oliver Wyman or any of the counsels of the Company has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (xiv) any person (other than the Joint Sponsors) has withdrawn or is subject to withdrawal of its consent to being named in any of this prospectus, the Application Forms, the preliminary offering circular and the final offering circular of the Global Offering or to the issue of any of this prospectus, the Application Forms, the preliminary offering circular and the final offering circular of the Global Offering; or
- (xv) the Stock Borrowing Agreement is not duly authorized, executed and delivered or it is terminated; or
- (xvi) the investment commitment by the cornerstone investor who is an existing Shareholder of our Company after signing of the cornerstone investment agreement, has been withdrawn, terminated or cancelled.

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertakings by us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be allotted or issued by us or form the subject of any agreement to such an allotment or issue by us within six months from the Listing Date, except for the Offer Shares to be issued pursuant to the Global Offering (including pursuant to the Over-allotment Option), any Shares which may be issued pursuant to the RSU Scheme and in circumstances prescribed by Rule 10.08 of the Listing Rules.

UNDERWRITING

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that except pursuant to the Global Offering and the Over-allotment Option and the lending of any Shares pursuant to the Global Offering, he or it shall not and shall procure that the relevant registered holder(s) not to:

- (a) in the period commencing from the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he or it is shown by this prospectus to be the beneficial owner; or
- (b) in the period of six months commencing on the date on which the period referred to in the preceding paragraph expires, dispose of or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in the preceding paragraph if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholder has further undertaken to the Stock Exchange and our Company that, within the period commencing from the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on a date which is 12 months from the Listing Date, he or it will:

- (a) when he or it pledges or charges any securities of our Company beneficially owned by him or it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us in writing of such pledge or charge together with the number of such securities of our Company so pledged or charged; and
- (b) when he or it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities of our Company will be disposed of, immediately inform us in writing of such indications.

We have agreed and undertaken to the Stock Exchange that, we shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertakings by us

Pursuant to the Hong Kong Underwriting Agreement, except for the offer, allotment and issue of the Offer Shares pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option, at any time) and any shares that may be granted under RSU Scheme, during the period after the date of the Hong Kong Underwriting Agreement and up to and including, the date falling six months after the Listing Date (the "**First Six-Month Period**"), we have undertaken to each

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of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters not to, and to procure each other member of the Group not to, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or contract or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any share capital or other equity securities of our Company, or any interest in any of the foregoing), or deposit any share capital or other securities convertible into equity securities of our Company, with a depository in connection with the issue of depository receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any share capital or other equity securities of our Company, or any interest in any of the foregoing); or
- (c) enter into any transaction with the same economic effect as any transaction described in sub-paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction described in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in sub-paragraph (a), (b) or (c) above is to be settled by delivery of share capital or such other equity securities of our Company, or in cash or otherwise (whether or not the issue of such share capital or other securities convertible into equity securities will be completed within the First Six-Month Period). Our Company further agrees that, in the event that our Company enters into any of the transactions described in sub-paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction at any time during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company shall take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not, and no other act of our Company will, create a disorderly or false market in the securities of our Company.

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Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to each of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except as pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and the Stock Borrowing Agreement, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) save for using any Shares or other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company) after the Global Offering as a charge or pledge in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, he/it will not, during the First Six-Month Period:
 - (i) offer, pledge, charge, sell, contract to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such capital or securities or any interest therein; or
 - (iii) enter into any transaction with the same economic effect as any transaction described in sub-paragraphs (a)(i) or (a)(ii) above; or
 - (iv) offer to or agree to do any of the foregoing or announce any intention to do so, whether any such transaction described in sub-paragraphs (a)(i), (a)(ii) or (a)(iii) above is to be settled by delivery of such capital or securities, in cash or otherwise; and
- (b) he/it will not enter into any transaction described in sub-paragraphs (a)(i), (a)(ii), (a)(iii) or (a)(iv) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transaction, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the Second Six-Month Period; and
- (c) until the expiry of the Second Six-Month Period, in the event that he/it enters into any such transactions specified in sub-paragraphs (a)(i), (a)(ii), (a)(iii) or (a)(iv) above or agrees or contracts to, or publicly announces an intention to enter into any such transactions, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of our Company

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Each of our Controlling Shareholders has further undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, within a period commencing on the date of the Hong Kong Underwriting Agreement and ending on a date which is 12 months from the Listing Date, he/it will:

- (a) when he/it pledges or charges any Shares or securities of our Company beneficially owned by him/it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, to the extent permitted by applicable law, immediately inform the Joint Global Coordinators of such pledge or charge together with the number of Shares or securities of our Company so pledged or charged; and
- (b) when he/it receives any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, to the extent permitted by applicable law, immediately inform the Joint Global Coordinators of such indications.

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally and not jointly to procure purchasers for, or to purchase, their respective proportions of the International Offer Shares being offered under the International Offering.

Under the International Underwriting Agreement, it is expected that we will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, at any time within 30 days from the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 14,808,400 additional Shares, representing 15.0% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations, if any, in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as those in the Hong Kong Underwriting Agreement. Potential investors shall be reminded that if the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

We have agreed to indemnify the International Underwriters against certain liabilities, including liabilities under the U.S. Securities Act.

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UNDERWRITING COMMISSIONS AND LISTING EXPENSES

The Underwriters will receive an underwriting commission per Offer Share of 2.5% of the Offer Price from our Company (including Offer Shares sold pursuant to the Over-allotment Option). Our Company may pay the Underwriters an incentive fee up to 0.5% of the Offer Price per Offer Share to be awarded at the Company's discretion. For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering, and such commission will be paid to the International Underwriters (but not the Hong Kong Underwriters).

The aggregate underwriting commissions and the incentive fee (assuming full payment), together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering to be borne by us, are estimated to be approximately HK\$108.7 million (based on an Offer Price of HK\$14.64 per Share, being the mid-point of the Offer Price range stated in this prospectus and the assumption that the Over-allotment Option is not exercised).

The listing expenses payable by the Company, in connection with the issue of additional Shares pursuant to the exercise of the Over-allotment Option in full (based on an Offer Price of HK\$14.64 per Share, being the mid-point of the Offer Price range) are estimated to be HK\$6.5 million.

The three Joint Sponsors are entitled to an aggregate sponsor fee of US\$1.1 million.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that each of the underwriters of the Hong Kong Public Offering and the International Offering, together referred to as "**Syndicate Members**", may individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, all of them (except for the Stabilizing Manager or its designated affiliate as the stabilizing manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transaction relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

UNDERWRITING

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the accounts of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving directly or indirectly, buying and selling the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering — Stabilization". These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares, and the volatility of the Shares' share price, and the extent to which this occurs from day to day cannot be estimated.

UNDERWRITERS' INTEREST IN OUR GROUP

Except as disclosed in this prospectus and the obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, none of the Underwriters has any shareholding interest in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

JOINT SPONSORS' INDEPENDENCE

Each of CLSA Capital Markets Limited, Nomura International (Hong Kong) Limited, ABCI Capital Limited satisfies the independent criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of 9,872,800 new Shares (subject to adjustment as mentioned below) in Hong Kong as described below under “— The Hong Kong Public Offering;” and
- (b) the International Offering of 88,851,200 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in offshore transactions in reliance on Regulation S, and in the United States only to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act, as described below in “— the International Offering.”

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, at any time within 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 14,808,400 additional Shares, representing 15.0% of the initial number of Offer Shares under the Global Offering, at the Offer Price, to cover over-allocations, if any, in the International Offering.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or
- apply for or indicate an interest for the International Offer Shares under the International Offering,

but may not do both.

The 98,724,000 Offer Shares in the Global Offering will represent approximately 23.8% of our enlarged share capital immediately after the completion of the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 26.4% of our enlarged share capital immediately following the completion of the Global Offering.

References to applications, Application Forms, application or subscription monies, or procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

We are initially offering 9,872,800 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10.0% of the total number of Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set forth below in “— Conditions of the Global Offering.”

STRUCTURE OF THE GLOBAL OFFERING

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools:

- Pool A: the Offer Shares will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of HK\$5 million or less (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee); and
- Pool B: the Offer Shares will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the "subscription price" for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 4,936,400 Hong Kong Offer Shares will be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. In accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules and the Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if the Offer Shares under the International Offering are fully subscribed or oversubscribed and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Hong Kong Offer Shares will be increased to 29,617,600 Offer Shares (in the case of (i)), 39,489,600 Offer Shares (in the case of (ii)) and 49,362,400 Offer Shares (in the case of (iii)), representing 30.0%, 40.0% and 50.0% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), respectively. In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool

STRUCTURE OF THE GLOBAL OFFERING

B in equal proportion and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

If (i) the Offer Shares under the International Offering are fully subscribed or oversubscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents more than 100%, but less than 15 times, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering; or (ii) the Offer Shares under the International Offering are not fully subscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents more than 100% of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the Joint Global Coordinators may, at their discretion, reallocate the Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, provided that the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering shall not be increased to more than 19,745,600 Offer Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20% of the total number of Offer Shares initially available under the Global Offering, and the final Offer Price shall be fixed at the low end of the Offer Price range (that is, HK\$12.64 per Offer Share) stated in this prospectus in accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange.

Subject to the above, the Joint Global Coordinators shall have the discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, regardless of whether any reallocation pursuant to paragraph 4.2 of Practice Note 18 of the Listing Rules is triggered.

Any such clawback and reallocation between the International Offering and the Hong Kong Public Offering will be completed prior to any adjustment of the number of Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$16.64 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "— Pricing and Allocation" below, is less than the maximum price of HK\$16.64 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For more details, see "How to Apply for Hong Kong Offer Shares."

STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Offering 88,851,200 Shares, representing 90.0% of the Offer Shares under the Global Offering and approximately 21.4% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for our Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Offering they would be prepared to acquire either at different prices or at particular price. This process, known as “book-building,” is expected to continue up to the Price Determination Date.

Allocation of the Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares under the International Offering on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of us and our shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any applications of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in “— The Hong Kong Public Offering — Reallocation” or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters.

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Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time during the 30-day period from the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to 14,808,400 Shares, representing approximately 15.0% of the total number of the Offer Shares initially available under the Global Offering, under the International Offering to, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Shares to be issued by our Company pursuant thereto will represent approximately 3.4% of our issued share capital immediately following the completion of the Global Offering. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if taken, will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for the lodging applications under the Hong Kong Public Offering. Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilizing Manager may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time period for which the Stabilizing Manager will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;

STRUCTURE OF THE GLOBAL OFFERING

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire on June 24, 2020, being the 30th day after the last day of closing of the application lists under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of any security (including the Shares) cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Offer Shares. Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager or any person acting for it may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

Stock Borrowing Arrangement

To facilitate the settlement of over-allocation in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 14,808,400 Shares, representing 15.0% of the Offer Shares (being the maximum number of Offer Shares which may be issued upon exercise of the Over-allotment Option), from Creative Brocade International, a Controlling Shareholder, pursuant to the Stock Borrowing Agreement which is expected to be entered into between the Stabilizing Manager and Creative Brocade International. Such stock borrowing arrangement under the Stock Borrowing Agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with.

Such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option. The same number of Offer Shares so borrowed must be returned to Creative Brocade International on or before the third Business Day following the earliest of (a) the last day on which the Over-allotment Option may be exercised, (b) the day on which the Over-allotment Option is exercised in full and the relevant Offer Shares subject to the Over-allotment Option having been issued and allotted by the Company, or (c) such earlier time as the Stabilizing Manager and Creative Brocade International may agree in writing. No payment will be made to Creative Brocade International by the Stabilizing Manager or its agent in relation to such stock borrowing arrangement.

STRUCTURE OF THE GLOBAL OFFERING

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between us, and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Monday, May 25, 2020 (Hong Kong time), and in any event, no later than Wednesday, May 27, 2020 (Hong Kong time). Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

The Offer Price will not be more than HK\$16.64 and is expected to be not less than HK\$12.64 unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum offer price of HK\$16.64 per Offer Share, plus 1.0% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$16.64, we will refund the respective difference, including the brokerage fee, the Stock Exchange trading fee and the SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see "How to Apply for Hong Kong Offer Shares."

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators, on behalf of the Hong Kong Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) of the reduction and posted on the website of the Stock Exchange (www.hkexnews.hk) and on our website (<https://www.yeahka.com/>) (the contents of the website do not form a part of this prospectus).

Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by us and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), will be fixed within such revised Offer Price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in the section "Summary," and any other

STRUCTURE OF THE GLOBAL OFFERING

financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) will under no circumstances be set outside the Offer Price range stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

The Offer Price, an indication of the level of interest in the International Offering, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies."

UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the agreement on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section "Underwriting."

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on, among others:

- the Listing Committee granting approval for the listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering (including any Shares which may be sold or issued by us pursuant to the exercise of the Over-allotment Option and any shares that may be granted under the RSU Scheme);
- the Offer Price being duly agreed among our Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters);
- the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

STRUCTURE OF THE GLOBAL OFFERING

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on or before Wednesday, May 27, 2020, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange (www.hkexnews.hk) and on our website (<https://www.yeahka.com/>) on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set forth in the section "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, June 1, 2020, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, June 1, 2020.

The Shares will be traded in board lots of 400 Shares each and the stock code of the Shares is 9923.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the designated website www.eipo.com.hk of the White Form eIPO service; or
- give electronic application instructions to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf.

None of you or your joint applicant(s) may make more than one application (whether individually or jointly), except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a U.S. person (as defined in Regulation S);
- are outside the United States, and will be acquiring the Hong Kong Offer Shares in an offshore transaction (as defined in Regulation S); and
- are not a legal or natural person of China (except qualified domestic institutional investors).

If you apply online through the White Form eIPO service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the White Form eIPO service for the Hong Kong Offer Shares.

We, the Joint Global Coordinators or the designated White Form eIPO Service Provider (where applicable), or our or their respective agents, have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a close associate of any of the above;
- a core connected person of our Company (or the subsidiaries) or will become a core connected person of our Company (or the subsidiaries) immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through White Form eIPO service at www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Wednesday, May 20, 2020 until 12:00 noon on Monday, May 25, 2020 from:

- any of the following offices of the Hong Kong Underwriters:

CLSA Limited	18/F, One Pacific Place 88 Queensway Hong Kong
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HOW TO APPLY FOR HONG KONG OFFER SHARES

Nomura International (Hong Kong) Limited	30/F, Two International Finance Centre 8 Finance Street Central Hong Kong
ABCI Securities Company Limited	10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
Haitong International Securities Company Limited	22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
China Merchants Securities (HK) Co., Limited	48/F, One Exchange Square 8 Connaught Place Central Hong Kong
ICBC International Securities Limited	37/F, ICBC Tower 3 Garden Road Hong Kong
Futu Securities International (Hong Kong) Limited	Unit C1-2, 13/F United Centre No.95 Queensway Hong Kong
China Galaxy International Securities (Hong Kong) Co., Limited	20/F Wing On Centre, 111 Connaught Road Central, Hong Kong
uSmart Securities Limited	Unit 2606, 26/F FWD Financial Centre 308 Des Voeux Road Central Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

- any of the following branches of the following receiving banks:

Bank of China (Hong Kong) Limited

	<u>Branch name</u>	<u>Address</u>
Hong Kong Island . . .	Gilman Street Branch	136 Des Voeux Road Central, Hong Kong
	Taikoo Shing Branch	Shop G1006, Hoi Shing Mansion, Taikoo Shing, Hong Kong
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai, Hong Kong
Kowloon	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong, Kowloon
New Territories	Yuen Long Branch	102-108 Castle Peak Road, Yuen Long, New Territories

CMB Wing Lung Bank Limited

	<u>Branch name</u>	<u>Address</u>
Hong Kong Island . . .	Head Office	45 Des Voeux Road Central
	Kennedy Town Branch	28 Catchick Street
	North Point Branch	361 King's Road
Kowloon.	Mongkok Branch	B/F CMB Wing Lung Bank Centre, 636 Nathan Road

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, May 20, 2020 until 12:00 noon on Monday, May 25, 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — YEAHKA PUBLIC OFFER**", should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times on the following dates:

Wednesday, May 20, 2020	—	9:00 a.m. to 5:00 p.m.
Thursday, May 21, 2020	—	9:00 a.m. to 5:00 p.m.
Friday, May 22, 2020	—	9:00 a.m. to 5:00 p.m.
Saturday, May 23, 2020	—	9:00 a.m. to 1:00 p.m.
Monday, May 25, 2020	—	9:00 a.m. to 12:00 noon

HOW TO APPLY FOR HONG KONG OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, May 25, 2020, the last application day or such later time as described in “— 10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;
- agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form(s) and agree to be bound by them;
- confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- agree to disclose to the Company, the Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application will be governed by the laws of Hong Kong;
- represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and (c) the purchaser is not an “affiliate” (within the meaning of Regulation S) of our Company or a person acting on the behalf of our Company or an affiliate of the Company;
- warrant that the information you have provided is true and accurate;
- agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company’s register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or our agents to deposit share certificate(s) into CCASS and to send any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Forms

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “— 2. Who Can Apply” in this section, may apply through the White Form eIPO service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk from 9:00 a.m. on Wednesday, May 20, 2020 until 11:30 a.m. on Monday, May 25, 2020 (24 hours daily, except on the last application day) and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, May 25, 2020 or such later time under “— 10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Commitment to sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Yeahka Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support sustainability.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 852 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
 - confirm that you understand that our Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorize the Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum number of 400 Hong Kong Offer Shares. Instructions for more than 400 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, May 20, 2020	—	9:00 a.m. to 8:30 p.m.
Thursday, May 21, 2020	—	8:00 a.m. to 8:30 p.m.
Friday, May 22, 2020	—	8:00 a.m. to 8:30 p.m.
Monday, May 25, 2020	—	8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, May 20, 2020 until 12:00 noon on Monday, May 25, 2020 (24 hours daily, except on Monday, May 25, 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, May 25, 2020, the last application day or such later time as described in "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

Note:

(1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, May 25, 2020.

HOW TO APPLY FOR HONG KONG OFFER SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 400 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 400 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering — Pricing and Allocation."

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, May 25, 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open, close on Monday, May 25, 2020 or if there is/are a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable," an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, May 29, 2020 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Company's website at www.yeahka.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.yeahka.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Friday, May 29, 2020;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, May 29, 2020 to 12:00 midnight on Thursday, June 4, 2020;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- by telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Friday, May 29, 2020 and from Monday, June 1, 2020 to Wednesday, June 3, 2020;
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, May 29, 2020 to Saturday, May 30, 2020 and on Monday, June 1, 2020 at all the designated branches of the receiving banks.

If the Company accepts your offer to subscribe (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details, see "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the White Form eIPO Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believes or believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$16.64 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee payable thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, May 29, 2020.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Friday, May 29, 2020. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Monday, June 1, 2020 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a **WHITE** Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, May 29, 2020 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant who is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, May 29, 2020, by ordinary post and at your own risk.

(ii) If you apply using a **YELLOW** Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares, please follow the same instructions as described above for collecting refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Friday, May 29, 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, May 29, 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— 11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, May 29, 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO Service

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, May 29, 2020, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, May 29, 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) on or before Friday, May 29, 2020 by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, May 29, 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in “— 11. Publication of Results” above on Friday, May 29, 2020. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, May 29, 2020 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Friday, May 29, 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, May 29, 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountant's Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YEAHKA LIMITED AND CLSA CAPITAL MARKETS LIMITED, NOMURA INTERNATIONAL (HONG KONG) LIMITED AND ABCI CAPITAL LIMITED

Introduction

We report on the historical financial information of YEAHKA LIMITED (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-89, which comprises the consolidated statements of financial position as at 31 December 2017, 2018 and 2019, and the Company's statements of financial position as at 31 December 2017, 2018 and 2019, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-89 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 20 May 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out respectively in Notes 1.2 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountant's 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.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out respectively in Notes 1.2 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2017, 2018 and 2019 and the consolidated financial position of the Group as at 31 December 2017, 2018 and 2019 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out respectively in Notes 1.2 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 25 to the Historical Financial Information which states that no dividends had been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20 May 2020

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") ("**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.

Consolidated Statements of Comprehensive Income

	Note	Year ended 31 December		
		2017	2018	2019
		RMB'000	RMB'000	RMB'000
Revenue	6	304,688	992,891	2,258,019
Cost of revenue	9	(186,542)	(723,356)	(1,610,984)
Gross profit		118,146	269,535	647,035
Selling expenses	9	(53,567)	(66,581)	(66,869)
Administrative expenses	9	(91,467)	(84,053)	(129,564)
Research and development expenses .	9	(24,250)	(87,121)	(78,400)
Impairment losses on				
financial assets	3.1(b)	(356)	(1,472)	(27,411)
Other income	7	445	3,205	4,983
Other (loss)/gains – net	8	(1)	(352)	2,922
Operating (losses)/profit		(51,050)	33,161	352,696
Finance costs	11	(5,950)	(3,963)	(5,615)
Share of profit/(losses) of				
investments accounted				
for using the equity method	14	35	(3,943)	(14,521)
Fair value changes of convertible				
redeemable preferred shares	30	(275,712)	(213,216)	(181,521)
(Loss)/profit before				
income tax		(332,677)	(187,961)	151,039
Income tax (expenses)/credit	12	(9,347)	5,167	(66,376)
(Loss)/profit for the year				
attributable				
to equity holders of				
the Company		(342,024)	(182,794)	84,663

	Note	Year ended 31 December		
		2017	2018	2019
		RMB'000	RMB'000	RMB'000
(Loss)/profit for the year attributable to equity holders of the Company		(342,024)	(182,794)	84,663
Other comprehensive income/(loss):				
Items that may be subsequently reclassified to profit or loss				
Currency translation differences		35,288	(41,236)	(19,993)
Total comprehensive (losses)/incomes for the year attributable to equity holders of the Company		(306,736)	(224,030)	64,670
(Losses)/earnings per share attributable to equity holders of the Company (expressed in RMB per share)				
– Basic	13	(7.18)	(3.84)	1.84
– Diluted	13	(7.18)	(3.84)	1.55

Consolidated Statements of Financial Position

	Note	As at 31 December		
		2017	2018	2019
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	15	10,395	29,141	39,854
Intangible assets	16	156	928	170,676
Investments accounted for using the equity method	14	6,369	37,426	31,067
Prepayments and other receivables ..	21	818	1,233	32,279
Financial assets at fair value through profit or loss	19	–	–	41,046
Other non-current assets	17	41,178	111,279	90,450
Deferred tax assets	31	10,268	35,825	8,504
		69,184	215,832	413,876
Current assets				
Other current assets		16,846	34,127	46,698
Inventories		402	996	7,282
Trade receivables	20	–	–	43,528
Prepayments and other receivables ..	21	426,478	896,965	1,159,213
Restricted cash	22	54,606	141,385	162,124
Cash and cash equivalents	22	480,521	479,839	441,315
		978,853	1,553,312	1,860,160
Total assets		1,048,037	1,769,144	2,274,036
EQUITY				
Share capital	23	30	30	31
Other reserves	24	134,692	102,541	260,345
Accumulated losses		(717,741)	(900,535)	(815,872)
Equity attributable to owners of the Company		(583,019)	(797,964)	(555,496)
Total equity		(583,019)	(797,964)	(555,496)

	Note	As at 31 December		
		2017	2018	2019
		RMB'000	RMB'000	RMB'000
LIABILITIES				
Non-current liabilities				
Other payables	28	41,691	80,271	56,880
Lease liabilities	27	886	13,301	17,568
Financial liabilities at fair value through profit or loss	30	792,071	1,008,948	1,373,447
Deferred tax liabilities	31	–	–	6,002
		834,648	1,102,520	1,453,897
Current liabilities				
Trade and other payables	28	367,287	1,167,116	1,164,851
Contract liabilities	26	10,049	72,178	25,910
Current tax liabilities		8,046	3,850	38,162
Lease liabilities	27	5,286	6,112	10,212
Borrowings	29	275,708	45,100	136,500
Financial liabilities at fair value through profit or loss	30	130,032	170,232	–
		796,408	1,464,588	1,375,635
Total liabilities		1,631,056	2,567,108	2,829,532
Total equity and liabilities		1,048,037	1,769,144	2,274,036

Statements of Financial Position of the Company

	Note	As at 31 December		
		2017	2018	2019
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Investments in subsidiaries	37(a)	–	–	236,660
Investments accounted for using the equity method		5,000	3,749	5,291
Property, plant and equipment		1,338	3,196	2,521
		6,338	6,945	244,472
Current assets				
Prepayments and other receivables ..	37(b)	142,629	143,351	156,135
Cash and cash equivalents	37(c)	47,853	44,191	54,770
		190,482	187,542	210,905
Total assets		196,820	194,487	455,377
EQUITY				
Share capital	23	30	30	31
Other reserves	37(e)	135,618	105,335	331,827
Accumulated losses		(689,801)	(875,549)	(1,258,549)
Total equity		(554,153)	(770,184)	(926,691)
LIABILITIES				
Non-current liabilities				
Financial liabilities at fair value through profit or loss	37(d)	620,542	793,839	1,373,447
Current liabilities				
Other payables		399	600	8,621
Financial liabilities at fair value through profit or loss	37(d)	130,032	170,232	–
		130,431	170,832	8,621
Total liabilities		750,973	964,671	1,382,068
Total equity and liabilities		196,820	194,487	455,377

Consolidated Statements of Changes in Equity

	Note	Attributable to equity holders of the Company			
		Share capital	Other reserves	Accumulated losses	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017		30	66,603	(375,717)	(309,084)
Loss for the year		–	–	(342,024)	(342,024)
Other comprehensive income		–	35,288	–	35,288
Total comprehensive loss		–	35,288	(342,024)	(306,736)
Transaction with owners					
Employee share schemes					
– value of employee services ..	32	–	32,801	–	32,801
		–	32,801	–	32,801
Balance at 31 December 2017 ..		30	134,692	(717,741)	(583,019)
Balance at 1 January 2018		30	134,692	(717,741)	(583,019)
Loss for the year		–	–	(182,794)	(182,794)
Other comprehensive loss		–	(41,236)	–	(41,236)
Total comprehensive loss		–	(41,236)	(182,794)	(224,030)
Transaction with owners					
Employee share schemes					
– value of employee services ..	32	–	9,085	–	9,085
		–	9,085	–	9,085
Balance at 31 December 2018 ..		30	102,541	(900,535)	(797,964)
Balance at 1 January 2019		30	102,541	(900,535)	(797,964)
Profit for the year		–	–	84,663	84,663
Other comprehensive loss		–	(19,993)	–	(19,993)
Total comprehensive loss		–	(19,993)	84,663	64,670
Transaction with owners					
Share issued for Tuozhanbao					
acquisition	33	3	236,657	–	236,660
Share repurchase	23	(2)	(68,521)	–	(68,523)
Employee share schemes					
– value of employee services ...	32	–	9,661	–	9,661
		1	177,797	–	177,798
Balance at 31 December 2019 ...		31	260,345	(815,872)	(555,496)

Consolidated Statements of Cash Flows

	Note	Year ended 31 December		
		2017	2018	2019
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash (used in)/generated from				
operations	34(a)	(6,422)	401,400	78,930
Interest received	7	292	286	1,466
Interest paid	11	(5,950)	(3,963)	(5,615)
Income taxes paid		(10,294)	(27,947)	(22,232)
Net cash (used in)/generated from operating activities		(22,374)	369,776	52,549
Cash flows from investing activities				
Purchase of property, plant and equipment and intangible assets				
		(3,749)	(11,153)	(8,487)
Payment for other non-current assets				
		(41,975)	(76,637)	(96,821)
Prepayment for investments	21 (a)	–	–	(30,000)
Net cash acquired for business combination				
	33	–	–	4,968
Payments for investment in associates				
		(5,000)	(35,000)	(9,358)
Purchase of wealth management products				
		(50,100)	–	(400,050)
Disposal of wealth management products				
		50,472	–	401,016
Net cash used in investing activities .		(50,352)	(122,790)	(138,732)

	Note	Year ended 31 December		
		2017	2018	2019
		RMB'000	RMB'000	RMB'000
Cash flows from financing activities				
Proceeds from issuance of convertible redeemable preferred shares	30	159,000	–	43,891
Repurchase of convertible redeemable preferred shares	30	–	–	(52,356)
Prepayment for repurchase of ordinary shares	23	–	(10,000)	–
Repurchase of ordinary shares	23	–	–	(58,523)
Payments for listing expenses		–	–	(7,005)
Proceeds from bank borrowing and other payables		26,894,094	1,452,240	197,500
Repayments of borrowings		(26,747,889)	(1,682,848)	(68,600)
Payment of lease liabilities	27	(5,380)	(9,223)	(8,183)
Net cash generated from/(used in) financing activities		299,825	(249,831)	46,724
Net increase/(decrease) in cash and cash equivalents		227,099	(2,845)	(39,459)
Cash and cash equivalents at beginning of year		256,372	480,521	479,839
Effects of exchange rate changes on cash and cash equivalents		(2,950)	2,163	935
Cash and cash equivalents at end of year		480,521	479,839	441,315

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

YEAHKA LIMITED (the "Company") was incorporated in the Cayman Islands on 8 September 2011, as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Vistra (Cayman) Limited, P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities defined in Note 1.2 (collectively, the "Group"), are principally engaged in the provision of payment services and technology-enabled business services (collectively, the "Listing Business") to retail merchants and consumers in the People's Republic of China (the "PRC").

Mr. Liu Yingqi ("**Mr. Liu**"), a PRC citizen, is the ultimate controlling shareholder of the Company as of the date of the report.

This Financial Information is presented in RMB, unless otherwise stated.

1.2 History and reorganization of the Group, basis of presentation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 September 2011. At the time of incorporation, the Company had an authorized share capital of US\$50,000, divided into 50,000 ordinary shares with a par value of USD1 each. Immediately after incorporation, one share of the Company was allotted and issued to the initial subscriber, who on the same day transferred the share to Creative Brocade Ltd. ("**Creative Brocade**"). On the same day, the Company also allotted and issued eight shares and one share, respectively, to Creative Brocade and Smallbox Ltd. ("**Smallbox**"), being intermediate investment holding companies wholly owned by Mr. Liu and Mr. Qin Baoan ("**Mr. Qin**"), respectively. As at 1 January 2016, the authorized shares capital was US\$8,989 divided into 89,891,433 ordinary shares with a par value of USD0.0001 each.

On 10 February 2012, the issued share capital of the Company was split into 100,000 shares with a par value of USD0.0001 each. On the same day, the Company allotted and issued 42,764,546 and 4,753,636 ordinary shares to Creative Brocade and Smallbox with a par value of USD0.0001 each. On 9 March 2015, Greycroft Growth, L.P. ("**Greycroft Funds**") and eVentures Growth, L.P. ("**eVentures Funds**") acquired 934,366 and 420,464 ordinary shares from Smallbox.

From 19 January 2012 to 28 November 2017, the Group issued a series of convertible redeemable preferred shares ("**Preferred Shares**") to IVP Fund II A, L.P. and IVP Fund II B, L.P. (collectively "IVP Funds"), THL U Limited, Greycroft Funds and eVentures Funds, etc. Further details of the Preferred Shares are set out in Note 30. In July 2019, the Company issued and allotted 941,981 Series C Preferred Shares to certain institutional investors.

The regulations in the PRC restrict foreign investments in companies that provide value-added telecommunication services, payment services and micro-credit businesses, which include certain activities and services operated by the Group through Shenzhen Yeahka Technology Co., Ltd. ("**Shenzhen Yeahka**") and its subsidiaries, which are companies incorporated in the PRC and controlled by Mr Liu. In order to enable certain foreign companies to make investments into these businesses of the Group, Yeahka Technology (Shenzhen) Co., Ltd. ("**Yeahka WFOE**") was established in May 2012 in the PRC, which entered into contractual arrangements with Shenzhen Yeahka and its then registered owners in order to gain management control over, and enjoys all economic benefits of Shenzhen Yeahka through a series of contractual arrangements. In October 2019, as part of group reorganization, the predecessor contractual arrangements were superseded by a set of new contractual arrangements. The details of those contractual arrangements are set out in Note 2.2.1(a).

Through these contractual arrangements, the Company is able to effectively control, recognise and receive substantially all the economic benefits and operations of the Shenzhen Yeahka and its subsidiaries (collectively, the "PRC Operating Entities"). Accordingly, the PRC Operating Entities are treated as structured entities controlled by the Company and the financial positions and results of operations of the PRC Operating Entities have been consolidated based on the respective dates when the Company first obtained control of these PRC Operating Entities.

Nevertheless, the contractual arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Shenzhen Yeahka and its subsidiaries. Uncertainties presented by the legal system in the PRC could impede the Group's beneficiary rights of the results, assets and liabilities of Shenzhen Yeahka and its subsidiaries. The directors of the Company, based on the advice of its legal counsel, consider that the contractual arrangements among Yeahka WFOE, Shenzhen Yeahka and its equity holders are in compliance with the relevant laws and regulations in the PRC and are legally binding and enforceable.

Similar contractual arrangements were also executed for Tuo-zhanbao Internet Financial Service (Shenzhen) Co., Ltd ("**Tuo-zhanbao**") between Expanded Treasure Technology Limited and Tuo-zhanbao. Tuo-zhanbao is treated as a controlled structured entity of the Company and its financial statements have also been consolidated by the Company since completion of the acquisition. Details of the acquisition are set out in Note 33. As the business carried out by Tuo-zhanbao is not subject to foreign investment restrictions under the relevant PRC laws and regulations, Tuo-zhanbao's business was transferred and undertaken by Shenzhen Letuobao Technology Co., Ltd., ("**Letuobao**") since 31 August 2019. Letuobao is a limited liability company established in the PRC on 1 August 2019 and it is an indirect wholly-owned subsidiary of the Company. The contractual agreements of Tuo-zhanbao was terminated on 31 August 2019.

During the Track Record Period, the Group also undertook certain acquisitions of associates and joint ventures. For details, please refer to Note 14.

Particulars of the principal subsidiaries (including structured entities) of the Group as at 31 December 2017, 2018, and 2019 and as at the date of report are set out below:

Company Name	Place and date of incorporation/ establishment	Principal activities and place of operation	Issued and paid-in capital/registered capital	Equity/beneficial interest held as at 31 December			Equity/ beneficial interest held as at the date of report	Notes
				2017	2018	2019		
				%	%	%		
Directly interest								
Yeahka Technology limited	Hong Kong/ 7 October 2011	Investment Holding/ Hong Kong	HKD-/HKD100	100%	100%	100%	100%	(g)
Clear Joyous Global Limited ("Clear Joyous")	British Virgin Islands/ 25 March 2019	Investment Holding/British Virgin Islands	USD1/USD50,000	N/A	N/A	100%	100%	(b)
Indirectly interest								
Yeahka WFOE	PRC/17 May 2012	Investment Holding/ the PRC	USD5,500,000/ USD5,500,000	100%	100%	100%	100%	(a)
Shenzhen Yeahka* 深圳市移卡科技有限公司	PRC/16 June 2011	Payment terminal and mobile payment services/the PRC	RMB200,000,000/ RMB200,000,000	100%	100%	100%	100%	(a)
Leshua Technology Co., Ltd.* 樂刷科技有限公司 ("Le Shua")	PRC/31 July 2013	Payment terminal and mobile payment services/the PRC	RMB101,000,000/ RMB101,000,000	100%	100%	100%	100%	(a)
Beijing Leshua information service Co.,Ltd* 北京樂刷信息服務有限公司 ("BJ Leshua")	PRC/15 January 2016	Payment terminal and mobile payment services/the PRC	RMB12,000,000/ RMB12,000,000	100%	N/A	N/A	N/A	(c)
Shenzhen Qianhai Saosao Technology Co., Ltd.* 深圳市前海掃掃科技 有限公司	PRC/13 September 2016	Payment related services/the PRC	RMB5,500,000/ RMB50,000,000	100%	100%	100%	100%	(a)
Shenzhen Leshou Cloud Technology Co., Ltd* ("Leshou") 深圳市樂售雲科技有限公司	PRC/28 April 2014	Software as a service ("SaaS") service/ the PRC	RMB15,400,000/ RMB15,400,000	100%	100%	100%	100%	(a)
Shenzhen Zhizhangui Cloud Service Co., Ltd.* 深圳市智掌櫃雲服務 有限公司	PRC/23 June 2017	SaaS service/the PRC	RMB10,000,000/ RMB10,000,000	100%	100%	100%	100%	(d)
Shenzhen Feiquan Cloud Data Service Co., Ltd* 深圳市飛泉雲數據服務 有限公司	PRC/23 February 2016	Fintech service/the PRC	RMB74,349,600/ RMB200,000,000	100%	100%	100%	100%	(a)

Company Name	Place and date of incorporation/ establishment	Principal activities and place of operation	Issued and paid-in capital/registered capital	Equity/beneficial interest held			Equity/ beneficial interest held as at the date of report	Notes
				as at 31 December				
				2017	2018	2019		
				%	%	%		
Shenzhen Qianhai Feiquan Commercial Factoring Co., Ltd* 深圳前海飛泉商業保理有限公司	PRC/10 October 2016	Fintech service/the PRC	RMB49,100,000/ RMB60,000,000	100%	100%	100%	100%	(e)
Hangzhou Qingni Technology Co., Ltd.* 杭州青霓科技有限公司	PRC/30 October 2018	SaaS service/the PRC	RMB-/RMB5,000,000	N/A	60%	60%	60%	(b)
Expanded Treasure Technology Limited ("Expanded Treasure")	Cayman/24 April 2019	Investment Holding/Hong Kong	USD-/USD50,000	N/A	N/A	100%	100%	(b)
Tuozhanbao* 拓展寶互聯網金融服務(深圳)有限公司	PRC/24 December 2015	Marketing services/the PRC	RMB30,000,000/ RMB30,000,000	N/A	N/A	N/A	N/A	(j)
Guangzhou Feiquan small loan Co., Ltd* 廣州飛泉小額貸款有限公司	PRC/30 July 2019	Small loan service/the PRC	RMB200,000,000/ RMB200,000,000	N/A	N/A	100%	100%	(f)
Letuobao* 深圳樂拓寶科技有限公司	PRC/1 August 2019	Marketing services/the PRC	USD-/USD2,000,000	N/A	N/A	100%	100%	(j)
Yunnan Trust - Star No.2005 Aggregated Fund Trust Scheme (the "Trust")* 雲南信託 – 星辰2005號集合資金信託計劃	The PRC/22 August 2019	Investment in debts/the PRC	RMB50,000,000	N/A	N/A	100%	100%	(h)
Yeah United Holding Limited	BVI/ 6 November 2019	Employee Trust/the BVI	USD-/USD1	N/A	N/A	100%	100%	(i)
Yeah Talent Holding Limited	BVI/ 6 November 2019	Employee Trust/the BVI	USD-/USD1	N/A	N/A	100%	100%	(i)

- (a) The statutory financial statements of these subsidiaries for the years ended 31 December 2017 and 2018 were audited by Shenzhen Changjiang Certified Public Accountants (深圳長江會計師事務所). The statutory financial statements of these subsidiaries for the year ended 31 December 2019 were not issued.
- (b) No statutory audited financial statements were issued for these companies as there is no statutory requirement in its place of incorporation.
- (c) The statutory financial statements of BJ Leshua for the years ended 31 December 2017 were audited by Shenzhen Changjiang Certified Public Accountants (深圳長江會計師事務所). BJ Leshua was liquidated on 4 July 2018.
- (d) No statutory audited financial statements of Shenzhen Zhizhanggui Cloud Service Co.,Ltd. have been prepared for the years ended 31 December 2017. The statutory financial statements of Shenzhen Zhizhanggui Cloud Service Co.,Ltd. for the years ended 31 December 2018 were audited by Shenzhen Changjiang Certified Public Accountants (深圳長江會計師事務所). The statutory financial statements of this subsidiary for the year ended 31 December 2019 were not issued.
- (e) The statutory financial statements of Shenzhen Qianhai Feiquan Commercial Factoring Co., Ltd for the years ended 31 December 2017 and 2018 were audited by Shenzhen Changjiang Certified Public Accountants (深圳長江會計師事務所). The statutory financial statements of this subsidiary for the year ended 31 December 2019 were not issued.
- (f) The statutory financial statements of Guangzhou Feiquan small loan Co., Ltd for the year ended 31 December 2019 were not issued.
- (g) The statutory financial statements of Yeahka Technology limited for the years ended 31 December 2017 and 2018 were audited by Honpro CPA (Practising) Corporation Limited Certified Public Accountants. The statutory financial statements of this subsidiary for the year ended 31 December 2019 were not issued.
- (h) The Group uses structured entity to provide small-sized loans to merchants and consumers. The structured entity is financed through the issue of units to investors. From the perspective of control assessment under IFRS 10, the directors of the Company consider that the Group has power over the relevant activities of the Trust, receives variable return from its involvement in the Trust, and has the ability to affect its return through its power over the Trust. Accordingly, the Group has control over the Trust which is presented as a controlled structured entity for accounting purpose. Due to the consolidation of the Trust, the Group recognized loan receivables, being principal and related interest, amounting to approximately RMB48,915,000 under "Prepayment and other receivables" (Note 21 (b)), approximately RMB5,416,000 under "deposits placed with financial institution" (Note 21(b)), and payables to creditors amounting to approximately RMB38,738,000, being principal and related interest, under "Trade and other payables" (Note 28 (ii)), respectively, as at 31 December 2019.
- (i) No statutory audited financial statements were issued for these companies as there is no statutory requirement in its place of incorporation.
- (j) As mentioned earlier in this note, the Company does not have directly or indirectly legal ownership in equity of these PRC Operating Entities during the Track Record Period and Tuo-zhanbao (collectively, "Structured Entities") from 25 June 2019 to 31 August 2019. Nevertheless, under certain contractual arrangements entered into with the registered owners of these Structured Entities, the Company and its other legally owned subsidiaries control these companies by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. Accordingly, the Group has rights to exercise power over these Structured Entities, receives variable returns from its involvement in these Structured Entities, and has the ability to affect those returns through its power over these Structured Entities. As a result, they are presented as controlled Structured Entities of the Company for accounting purpose.

For Tuo-zhanbao, its business is not subject to foreign investment restrictions under the relevant PRC laws and regulations, and the aforementioned contractual agreements were terminated on 31 August 2019 with Tuo-zhanbao's business being transferred and undertaken by Letuobao, an indirect wholly-owned subsidiary of the Company by then.

- * The English names of companies established in the PRC are translations of their Chinese names at the best effort of the directors of the Company as they do not have official English names.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB").

The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of the Historical Financial Information in conformity with IFRS 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 4 below.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 January 2019, are consistently applied to the Group for the Track Record Period.

As of 31 December 2019, the Group had net liabilities of RMB555,496,000 and accumulated loss of RMB815,872,000, respectively, primarily due to the significant fair value changes of the Preferred Shares charged as an expense in the income statement. The Preferred Shares are redeemable at the option of the holders at any time commencing after 31 December 2021. The Preferred Shares can be converted into ordinary shares at the option of a holder at any time after the issuance of Preferred Shares, or automatically converted into ordinary shares upon: (i) the vote to convert by the holders of a majority of the Series B shareholders (as defined in Note 30) and a 75% of the Preferred Shares shareholders, voting as a single class, or (ii) upon the closing of a qualified public offering. In any situation, the Preferred Shares will not have cash flow impact to the Group in the next twelve months from 31 December 2019.

In addition, as at 31 December 2019, the Group had net current assets of RMB484,525,000. According to a working capital forecast compiled by the directors of the Company for the next twelve months from 31 December 2019, the directors believe that the Group will have sufficient cash resources to satisfy its future working capital needs and meet its commitments. Accordingly, the directors of the Company consider that it is appropriate that the Historical Financial Information is prepared on a going concern basis.

New standards, amendments and interpretations to existing standards not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective on January 1, 2020 and not been early adopted by the Group as of the Track Record Period are as follows:

		<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 9 and IFRS 7 . . .	Interest rate benchmark reform	1 January 2020
Amendment to IAS 1	Classification of liabilities as current or non-current	1 January 2022
Amendments to IFRS 10 and International Accounting Standards ("IAS") 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IAS 1 and IAS 8	Definition of Material and presentation of current/non-current liabilities	1 January 2020
Amendments to IFRS 3	Definition of a Business	1 January 2020
Conceptual Framework for Financial Reporting 2018		1 January 2020
IFRS 17	Insurance Contracts	1 January 2023

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards, amendments and interpretations to the existing IFRSs.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including Structured Entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, accounting policies by subsidiaries have been changed to conform to the Group's accounting policies.

(a) Subsidiaries controlled through contractual arrangements

As described in Note 1.2, Yeahka WFOE has entered into the contractual arrangements with Shenzhen Yeahka and its registered shareholders which enable Yeahka WFOE and the Group to:

- Exercise effective control over Shenzhen Yeahka;
- Exercise equity holders' voting rights of Shenzhen Yeahka;

- Receive substantially all of the economic interests and returns generated by the PRC Operating Entities in consideration for technical support, consulting and other services provided exclusively by Yeahka WFOE, at Yeahka WFOE's discretion;
- Obtain an irrevocable and exclusive right to purchase all equity interests in Shenzhen Yeahka from its registered shareholders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the registered shareholders of Shenzhen Yeahka shall return the amount of purchase consideration they have received to Yeahka WFOE. At Yeahka WFOE's request, the registered shareholders of Shenzhen Yeahka will promptly and unconditionally transfer their respective equity interests in Shenzhen Yeahka to Yeahka WFOE (or its designee within the Group) after Yeahka WFOE exercises its purchase right.
- Obtain pledges over the entire equity interests in Shenzhen Yeahka from its registered shareholders to secure, among others, performance of their obligations under the contractual arrangements.

Similar contractual arrangements were also executed for Tuo-zhanbao acquired by the Group.

Since Tuo-zhanbao's business is not subject to foreign investment restrictions under the relevant PRC laws and regulations, and the aforementioned contractual agreements were eventually terminated on 31 August 2019 with Tuo-zhanbao's business transferred and undertaken by Letuobao, an indirect wholly-owned subsidiary of the Company, since 31 August 2019.

The Group does not have any equity interest in the Structured Entities. However, as a result of the contractual arrangements, the Group has rights to variable returns from its involvement with the Structured Entities and has the ability to affect those returns through its power over the Structured Entities and is considered to control the Structured Entities. Consequently, the Company consolidated the financial position and results of operations of these entities in the Historical Financial Information of the Group during the Track Record Period.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in the profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, a joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

(c) Business Combinations

The acquisition method of accounting is used to account for all business combinations other than under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

(d) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Joint arrangements and associates

2.3.1 Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3.2 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates

Investments in associates are accounted for using the equity method of accounting in accordance with IAS 28. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee and the share of other comprehensive income of the investee after the date of acquisition. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment. The Group's investments in these associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of the associates' post-acquisition profit or loss is recognized in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investments in the associate are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "share of profits/(losses) of investments accounted for using the equity method" in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Gain or losses on dilution of equity interest in associates are recognized in profit or loss.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**Functional Currency**"). The Functional Currency of the Company is United States dollars. Group companies including Yeahka WFOE and Structured Entities were incorporated in the PRC and these entities considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group has determined RMB as its presentation currency and presented its Historical Financial Information in RMB (unless otherwise stated).

(ii) Transactions and balances

Transactions in a currency other than Functional Currency are translated into Functional Currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss within "finance costs". All other foreign exchange gains and losses impacting profit or loss are presented in the consolidated statement of profit or loss within "other (losses)/gains -net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in the consolidated statement of financial position as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income ("**FVOCI**"), are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency of RMB are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- All resulting currency translation differences are recognized as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

2.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is 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 repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Equipment	3 years
Vehicles	5 years
Leasehold improvements	shorter of estimated useful life or remaining lease terms

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in "other (losses)/gains, net" in the consolidated statement of comprehensive income.

Right-of-use assets included the rights to use certain properties, plant and machinery under leases which are measured at cost. The initial costs of right-of-use assets include the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date

- any initial direct costs, and
- restoration costs.

If the lease transfers ownership of the underlying assets to the Group by the end of the lease term or if the cost of the right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date of the lease to the end of the useful life of the underlying assets. Otherwise, right-of-use assets are depreciated over the shorter of the assets' useful lives and their lease terms on a straight-line basis.

2.6 Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGUs containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(ii) Other intangible assets

Other intangible assets mainly include software purchased from third parties and customer relationship. They are initially recognized and measured at cost or fair value if they are acquired in business combinations. Other intangible assets are amortized over their estimated useful lives using the straight-line method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

The Group amortizes intangible assets with indefinite useful life using the straight-line method over the following periods:

Software	3 years
Customer relationship	3 years

(iii) Research and development expenditures

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria include: (1) it is technically feasible to complete the software product so that it will be available for use; (2) management intends to complete the software product and use or sell it; (3) there is an ability to use or sell the software product; (4) it can be demonstrated how the software product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and (6) the expenditure attributable to the software product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognized as expenses as incurred. There were no development costs meeting these criteria and capitalized as intangible assets for the years ended 31 December 2017, 2018 and 2019.

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

See Note 18 for details of each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.8.2 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other (losses)/gains – net" together with foreign exchange gains and losses. Impairment losses, if any, are presented as separate line item in profit or loss.
- **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. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in "other (losses)/gains – net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other (losses)/gains – net" and impairment expenses, if any, are presented as separate line item in profit or loss.
- **Financial assets at fair value through profit or loss ("FVPL"):** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "other (losses)/gains – net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in "other (losses)/gains – net" in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.8.3 Impairment

The Group has following assets subject to IFRS 9's new expected credit loss model:

- Trade and other receivables;
- Restricted cash;
- Cash and cash equivalents;
- Financial guarantee contracts.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables.

The Group assesses on a forward looking basis the ECL associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Impairment on other receivables is measured as either 12-month ECL or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL. To manage risk arising from cash and cash equivalents, the Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Impairment testing of financial assets is described in Note 3.1(b).

2.8.4 *Derecognition*

Financial assets

The Group derecognizes a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("**pass through**" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

- the carrying amount of the financial asset transferred; and
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability.

Other financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

2.8.5 *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.8.6 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2.9 Trade and other receivables

Trade and other receivables mainly consist of receivables from payment networks, commission receivables, loan receivables, lease deposits, etc. If collection of other receivables is expected in one year or less, they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 2.8.3 for a description of the Group's impairment policy for trade and other receivables.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.11 Share capital

Ordinary shares are classified as equity. Preferred Shares are classified as liabilities (see Note 2.15).

2.12 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables mainly consist of deposits and entry fees received from distribution channels and amounts payable to merchants.

The Group receives from distribution channels two payments during the course of business; (1) an upfront refundable deposit and (2) an upfront non-refundable entry fees upon they sign up the service agreements with the Group. The Group, in return, shares its payment service revenue with distribution channels in the form of commissions in accordance with the terms of the service agreements. The upfront deposit is recorded as a liability of the Group and it is refundable to the distribution channels upon they terminate the distribution service agreement or upon expiry of the contractual service period. The entry fees from distribution channels is credited into income statement to off-set against the commission paid/payable to distribution channels based on a straight-line method over the contractual period of the service agreements of 3 years.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.13 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount 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.

2.14 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

2.15 Preferred Shares

The Group issued convertible preferred shares which give options to holders a right for redemption into cash after specified timing or a right for conversion into ordinary shares of the Company. The convertible preferred shares will be automatically converted into ordinary shares upon occurrence of certain events outside the control of the Company.

The Group designates Preferred Shares as financial liabilities at fair value through profit or loss. Preferred Shares are classified as non-current liabilities or current liabilities depending on whether the preferred shares holders can demand the Company to redeem the Preferred Shares for cash at least 12 months after the end of the reporting period or not. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the consolidated statement of comprehensive income.

Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognized in profit or loss.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognized until the time of leave.

(b) Pension obligations

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(d) Share-based benefits

As disclosed in Note 32, the Group operates several equity-settled share-based compensation plans (including share option scheme and share award scheme), under which the Group receives services from its employees in exchange for the equity instruments of the Company. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Including any market performance conditions (e.g., the entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and retention periods of an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (e.g., the requirement for employees to save or holdings shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

If the terms of an equity-settled award are modified, at a minimum an expense is recognized as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognized for that award, as at the date of forfeiture, is treated as if it had never been recognized. At the same time, any expense previously recognized on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

At the end of each period, the entity revises its estimates of the number of options or restricted share units that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment made to equity.

2.18 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for further operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.19 Revenue recognition

Revenue is measured when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and 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 and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The Group recognizes revenue at a point in time when the customer obtains control of the goods and services under IFRS 15.

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. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due from the customer).

The accounting policy for the Group's revenue sources

The Group principally derives revenue from one-stop payment services and technology-enabled business services.

(i) One-stop payment services

The Group provides one-stop payment services to merchants for their accepting non-cash payments from consumers, by connecting merchants with the payment networks.

The Group adopts various sales channels to promote their business, including the use of distribution channels and direct marketing. The payment terminals delivered to the merchants or distribution channels are not considered as a distinct performance obligation as the payment services are required to continually interact with the payment terminals provided to the merchants in order for the Group to provide its payment service to the merchants.

The Group assessed that payment services rendered to the merchants is recognised at a point in time, upon completion of the payment service for each transaction.

Service revenue is recognised 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 interchange fees levied by various third party payment networks.

The service fee rate is determined based on the agreements entered between the Group and the merchants.

The Group considered that it acts as a principal in offering 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; (3) has involvement in the determination of product or services specifications; and (4) has discretion in the selection of distribution channels to assist its payment services and to maintain relationship with its merchants and to handle their enquiries about the services. The Group shares its service revenue with distribution channels in accordance with the service agreements entered into with them and the related commissions are recognised as its cost of revenue of the payment services.

(ii) Technology-enabled business services

Leveraging on the established customer base with merchants for the one-stop payment services, the Group also provides a series of value added technology-enabled business services such as (1) provision of various SaaS products with scenario-specific functionalities integrated with the payment services; (2) provision of online marketing services by delivering performance based marketing services to merchants on the payment platforms; (3) provision of off-line marketing services to merchant service providers; (4) provision of technology services to insurance companies through the Group's technology platform; and (5) provision of small-sized loans to merchants and consumers through the cooperation with banks and trust companies.

Revenues for (1), (2), (3) and (4) are recognized at a point of time when products and services are delivered; while interest income for (5) is recognised based on the pre-determined borrowing rates over the respective loan periods.

(iii) Contract liabilities

The Group occasionally charges merchants one-off and upfront Entry Fees (“**Entry Fees**”) for their future use of the Group’s payment services. The Group initially records Entry Fees as a contract liability and then recognizes it as revenue ratably over the estimated average service relationship period of the merchants. During the Track Record Period, the estimated average service relationship period is within 1 year.

The Group also sells promotion coupons to some merchants, which enable the merchants to use them to offset the payment service charges payable to the Group for the one-stop payment services. The coupons are sold at a price lower than their respective face value. The amounts received/receivable from the merchants are recorded as a contract liability and it is then recognised as revenue when the coupon value is utilised by the merchants to offset the payment service charges payable to the Group.

The Group applies the practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

(iv) Contract fulfilment costs

Contract fulfilment costs primarily consist of costs of payment terminals, which are installed in merchants’ retail shops/venues in conjunction with the offering of the Group’s one-stop payment services. They are amortised using a straight-line method over the expected benefit period of 3 years for the use of payment terminals.

(v) Financing components

The Group does not expect to have any contracts enacted with customers with material consideration where the period between the transfer of the promised goods or service to the customer and payments received/receivable by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.20 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.21 Leases

The Group leases various properties. Rental contracts are typically made for fixed periods of one to five years. Lease terms are negotiated on an individual basis and contain various terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as right-of-use assets (included in properties, plant and equipment) and the corresponding liabilities at the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis.

The depreciation of right-of-use asset is calculated using the straight-line method to allocate their cost to their residual values over remaining lease terms.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the entity's incremental borrowing rate.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months. Low-value assets comprise machinery with value below RMB35,000.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO of the Company that makes strategic decisions.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from recognized assets and liabilities in currency other than the group entities' respective functional currency and net investments in foreign operations.

The Group operates mainly in the PRC with most of the transactions settled in RMB, management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group that are denominated in the currencies other than the respective functional currencies of the Group's entities. The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the years ended 31 December 2017, 2018 and 2019.

(ii) Cash flow interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. The Group currently has not entered into any interest rate swap contract and will only consider for hedging of significant interest rate risk.

As at 31 December 2017, 2018 and 2019, all of the borrowings were in short-term, and bank borrowing were bearing with variable rates and other borrowings were bearing with fixed rates.

Sensitivity

	(Increase)/decrease in loss post tax for the year/period		
	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Interest rates – increase by 100 basis points	(2,344)	(383)	(1,479)
Interest rates – decrease by 100 basis points	2,344	383	1,479

(b) *Credit risk*

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, trade and other receivables. Starting from the last quarter in 2019, the Group also provided guarantees in offering loan facilitation services for loans granted by certain of the Group's loan facilitation partners. Pursuant to the terms of the guarantees, upon default in repayments by the lenders, the Group will be responsible to repay the outstanding loan principals together with accrued interest and penalty owed by the lenders to certain of the Group's loan facilitation partners.

(i) Risk management

For cash and cash equivalents and restricted cash, management manages the credit risk by placing deposits in state-owned financial institutions in the PRC or reputable banks, financial institutions having high-credit-quality in the PRC, Hong Kong and Cayman Island.

For trade and other receivables, the Group has policies in place to ensure that sale of service are made to customers with an appropriate credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets.

As at 31 December 2019, the maximum exposure arisen from the provision of financial guarantee to certain loan facilitation parties amounted to approximately RMB7.2 million, being the principals and interests of the underlying loans which were granted by the Group's loan facilitation partners by or after mid of December 2019 with terms from 3 to 12 months. As at 31 December 2019, almost none of the underlying loans from these financial guarantee were over due and underperforming. Based on management's credit risk assessment, the corresponding expected credit loss provision was not material and therefore no financial guarantee liability was recognised in the Group's consolidated statement of financial position as at 31 December 2019.

(ii) Impairment of financial assets

While cash and cash equivalents and restricted cash, are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Impairment of trade receivables

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the number of days the balances are past due. The Group had no trade receivable as at 31 December 2017 and 2018 due to the business nature of payment service. As to the balances as at 31 December 2019, the directors of the Company considered their short aging and assessed that the credit risk is not significant. Therefore the related loss allowance is immaterial, if there is any.

Impairment of other receivables

Other receivables are subject to the ECL model. The Group's other receivables comprise: receivable from payment networks, loan receivables, amounts due from related parties and deposits. The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the third party debtor;
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor.

All amounts due from related parties are all repayable on demand. Except for the impairment identified in amount due from Chaomeng Financial Technology (Shenzhen) Co., Ltd and the provision being made as at 31 December 2019 (Note 21 (b)(iv)), there has been no default history in the past and the related loss allowance limited to 12 months ECL is immaterial.

Receivables from payment networks are settled within several days and most of the deposits are made to payment networks or financial institution. The Group is exposed to limited credit risk from such receivable balances and there is no significant increase in credit risk since initial recognition, therefore related loss allowance limited to 12 months ECL is immaterial.

For loan receivables, the expected loss rates are determined based on the historical loss rates as well as the average expected loss rates of some small loan companies in the same industry. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables.

As to loan receivables, a significant increase in credit risk is presumed when they become overdue. Under such case, the loan receivables are classified as underperforming receivables.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group writes off receivables when a debtor fails to make contractual payments/repayable demanded greater than 180 days past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

During the Track Record Period, the Group provided for credit losses against loan receivables as follows:

Loan receivables	Basis for recognition of expected credit loss provision	Expected credit loss rate	As at 31 December 2017		As at 31 December 2018	
			Gross amount	Carrying amount (net of impairment provision)	Gross amount	Carrying amount (net of impairment provision)
			RMB'000	RMB'000	RMB'000	RMB'000
Loan Receivable						
– Performing	12 months expected losses	2%	3,904	3,838	26,849	26,377
– Underperforming	Life time expected losses	61%	550	217	3,991	2,592
			<u>4,454</u>	<u>4,055</u>	<u>30,840</u>	<u>28,969</u>

Loan receivables	Basis for recognition of expected credit loss provision	Expected credit loss rate	As at 31 December 2019	
			Gross amount	Carrying amount (net of impairment provision)
			RMB'000	RMB'000
Loan Receivable				
– Performing	12 months expected losses	2%	228,069	223,964
–Underperforming	Life time expected losses	42%	14,546	8,407
			<u>242,615</u>	<u>232,371</u>

The Directors of the Company assessed and determined the 12 month expected loss rate of performing loans to be 2% throughout the Track Record Period, based on the Group's actual historical loss rate that has remained stable during the Track Record Period, adjusted by forward-looking information on macro-economic factors affecting customers' repayment ability.

No significant changes to estimation techniques or assumptions were made.

Movement on the provision for impairment of loan receivables are set out as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At the beginning of the year	43	399	1,871
Provision for impairment ...	356	1,472	17,907
Write off of bad debts.....	–	–	(9,534)
At the end of the year.....	<u>399</u>	<u>1,871</u>	<u>10,244</u>

(c) *Liquidity risk*

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group's financial liabilities into relevant maturity grouping, based on the remaining period at the end of each reporting period as compared to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1	Between 1 and	Between 2 and	Total
	year	2 years	5 years	
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2017				
Trade payables	54,249	–	–	54,249
Other payables and accruals (excluding accrual for payroll and welfare allowances, entry fees received from distribution channels and other taxes payable)	263,371	–	–	263,371
Lease liabilities	5,515	906	–	6,421
Borrowings and interest payment ..	276,844	–	–	276,844
Financial liabilities at fair value through profit or loss	15,394	–	592,275	607,669
	<u>615,373</u>	<u>906</u>	<u>592,275</u>	<u>1,208,554</u>

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2018				
Trade payables	132,385	–	–	132,385
Other payables and accruals (excluding accrual for payroll and welfare allowances, entry fees received from distribution channels and other taxes payable)	1,000,538	–	–	1,000,538
Lease liabilities	7,186	6,479	7,879	21,544
Borrowings and interest payment . .	46,123	–	–	46,123
Financial liabilities at fair value through profit or loss	16,169	401,649	197,160	614,978
	<u>1,202,401</u>	<u>408,128</u>	<u>205,039</u>	<u>1,815,568</u>
As at 31 December 2019				
Trade payables	74,112	–	–	74,112
Other payables and accruals (excluding accrual for payroll and welfare allowances, entry fees received from distribution channels and other taxes payable)	1,054,453	–	–	1,054,453
Lease liabilities	11,726	12,052	6,476	30,254
Borrowings and interest payment . . .	140,919	–	–	140,919
Financial liabilities at fair value through profit or loss	–	–	606,744	606,744
Financial guarantee (Note 3.1 (b)(i))	7,200	–	–	7,200
	<u>1,288,410</u>	<u>12,052</u>	<u>613,220</u>	<u>1,913,682</u>

According to a working capital forecast compiled by the directors of the Company for the next twelve months from the date of this report, the directors believe that the Group will have sufficient cash resources to satisfy its future working capital needs and meet its commitments.

3.2 Capital management

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity holders' value in the long term.

The Group monitors capital (including share capital, share premium and Preferred Shares on an as if converted basis) by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of directors of the Company, the Group has operating profits and a low level of indebtedness. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2017, 2018 and 2019 by level of inputs adopted in the valuation techniques used for measuring fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's liabilities that are measured at fair value as at 31 December 2017.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Preferred Shares	–	–	922,103	922,103

The following table presents the Group's liabilities that are measured at fair value as at 31 December 2018.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Preferred Shares	–	–	1,179,180	1,179,180

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2019.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Contingent consideration	–	–	41,046	41,046
Liabilities				
Preferred Shares	–	–	1,373,447	1,373,447

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

During the years ended 31 December 2017, 2018 and 2019, there was no transfer between level 1 and 2 for recurring fair value measurements. The significant unobservable inputs used to determine the fair value and the fair value changes in level 3 financial instruments during the Track Record Period are presented in Note 30 and 33.

Valuation processes of the Group (Level 3)

A team in the finance department of the Group performs the valuations of financial instruments required for financial reporting purposes, including the Level 3 fair values. This team reports directly to the Chief Financial Officer ("CFO"). Discussions of valuation processes and results are held between the CFO and the valuation team at least once year.

At each financial year end the finance department:

- verifies all major inputs to the valuation report;
- assesses valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Changes in Level 3 fair values are analysed at each reporting date during the yearly valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, trade and other receivables, accounts payables, other payables and borrowings approximate to their fair values due to their short maturities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Management of the Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Business combinations

Business combinations other than under common control are accounted for under the acquisition method. The determination and allocation of fair values to the identifiable assets acquired, which mainly include customer relationship and determination of goodwill is based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates as well as the assumptions and estimates used to determine the cash inflows and outflows. The Group determines discount rates to be used based on the risk inherent in the related activity's current business model of the acquired business and the industry comparisons. Although the Group believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material. Details are disclosed in Note 16 and Note 33.

(b) Estimates of service relationship period in the Group's payment services

As described in Note 2.19, the Entry Fees received from merchants are recognised in payment service revenue ratably over the estimated average service relationship period. The determination of average service relationship period is made based on the Group's best estimation that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-valuation on annual basis. Any adjustments arising from changes in the service relationship period as a result of new information will be accounted for as a change in accounting estimate.

(c) Current income taxes and deferred income taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(d) Expected credit loss for receivables

The impairment provisions for trade and other receivables are based on assumptions about the expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 3.1(b). Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the profit or loss.

(e) Recognition of share-based compensation expenses

The fair value of options is determined by the binomial option-pricing model at the grant date, and is expected to be expensed over the respective vesting period. Significant estimate on assumptions, including risk-free interest rate, expected volatility and dividend yield are made by the directors with the assistance of an independent valuer.

(f) Contractual arrangement for Structured Entities

As disclosed in Note 2.2.1, the Group conducts its business through its Structure Entities. Due to the regulatory restrictions on the foreign ownership of the Listing Business in the PRC, the Group does not have any equity interest in the Structured Entities. The Directors assessed whether or not the Group has control over those Structured Entities by assessing whether it has the rights to variable returns from its involvement with those Structured Entities and has the ability to affect those returns through its power over those Structured Entities. After assessment, the Directors concluded that the Group has control over those Structured Entities as a result of the contractual arrangements. Accordingly, the financial position and the operating results of those Structured Entities are included in the Group's consolidated financial statements throughout the Track Record Period or since the respective dates of incorporation/establishment, whichever is the shorter period. Nevertheless, the contractual arrangements may not be as effective as direct legal ownership in providing the Group with direct control over those Structured Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of those Structured Entities. The Directors, based on the advice of its legal counsel, consider that the contractual arrangements with those Structured Entities and their equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

(g) Fair value measurement of financial assets and liabilities at fair value through profit or loss

The fair value assessment of financial assets and liabilities at fair value through profit or loss that are measured at level 3 fair value hierarchy requires significant estimates, which include estimating the future cash flows, determining appropriate discount rates and other assumptions disclosed in Note 19, Note 30 and Note 33.

5. SEGMENT INFORMATION

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM. The Group's CODM has been identified as the CEO of the Company, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. As a result of this evaluation, the CEO consider that the Group's operations are operated and managed as a single segment; accordingly no segment information is presented.

The Company is domiciled in the Cayman Islands while the Group's non-current assets and revenues are substantially located in and derived from the PRC, therefore, no geographical segments are presented.

6. REVENUE

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
One-stop payment services	299,479	967,988	2,081,051
Technology-enabled business services	5,209	24,903	176,968
	<u>304,688</u>	<u>992,891</u>	<u>2,258,019</u>

For the years ended 31 December 2017, 2018 and 2019, interest income from entrusted loans and small-sized retail loans amounting to RMB1,380,000, RMB3,016,000 and RMB34,121,000 are included in revenue derived from technology-enabled business services. Except for interest income, revenues of the Group are recognized at a point in time according to the provision prescribed under IFRS 15.

7. OTHER INCOME

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Government grants	153	2,328	3,517
Interest income from bank deposits	292	286	1,466
Others	–	591	–
	<u>445</u>	<u>3,205</u>	<u>4,983</u>

8. OTHER (LOSSES)/GAINS, NET

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Gains on investments in wealth management products	372	–	966
Loss on disposal of property, plant and equipment	–	(295)	(6)
Gains on deemed disposal of an associate (Note 14)	–	–	2,217
Fair value losses on contingent consideration	–	–	(529)
Others	(373)	(57)	274
	<u>(1)</u>	<u>(352)</u>	<u>2,922</u>

9. EXPENSES BY NATURE

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Commissions to distribution channel	163,812	635,392	1,480,894
Employee benefit expenses (Note 10(a))			
– Research and development	22,076	30,775	59,494
– Others	80,266	73,014	87,889
Advertising and promotion expenses	36,189	40,083	33,663
Processing fees to payment networks	11,229	45,652	35,983
Depreciation of property, plant and equipment	7,583	11,891	12,232
Office expenses	6,421	9,546	14,618
Professional service fees	4,853	3,857	3,984
Amortization of non-current assets	4,358	28,894	57,459
Levies and surcharges	3,167	6,396	5,609
Travel and transportation	2,807	4,667	5,805
Rental expense relating to short-term leases	2,590	3,841	8,631
Merchants validation fee	2,035	1,816	2,735
System development consulting and data validation	840	52,201	14,387
Auditor's remuneration	120	802	1,048
Amortization of intangible assets	63	287	6,305
Impairment of investment in an associate .	–	–	3,413
Listing expenses	–	–	25,171
Others	7,417	11,997	26,497
	<u>355,826</u>	<u>961,111</u>	<u>1,885,817</u>

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

(a) Employee benefit expenses are as follows:

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	63,777	85,133	117,100
Welfare, medical and other expenses	3,165	5,310	10,971
Defined contribution plan	2,599	3,836	9,312
Termination benefits	–	425	339
Employee share schemes			
– value of employee services	32,801	9,085	9,661
	<u>102,342</u>	<u>103,789</u>	<u>147,383</u>

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2017, 2018 and 2019 include 1, 2 and 1 director(s), whose emoluments are reflected in the analysis shown in Note 36. The emoluments payable to the remaining 4, 3 and 4 individuals during the years ended 31 December 2017, 2018 and 2019, are as follows:

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	3,130	2,619	7,326
Welfare, medical and other expenses	50	40	71
Defined contribution plan	49	41	100
Employee share schemes			
– value of employee services	32,545	8,409	3,341
	<u>35,774</u>	<u>11,109</u>	<u>10,838</u>

(c) The emoluments of those individuals fell within the following bands:

Emolument band	Year ended 31 December		
	2017	2018	2019
HKD 1,500,001 – HKD 2,000,000	–	–	1
HKD 2,000,001 – HKD 2,500,000	1	–	2
HKD 2,500,001 – HKD 3,000,000	–	2	–
HKD 3,500,001 – HKD 4,000,000	–	–	1
HKD 4,000,001 – HKD 4,500,000	1	–	–
HKD 7,500,001 – HKD 8,000,000	–	1	–
HKD 16,000,001 – HKD 16,500,000	1	–	–
HKD 18,500,001 – HKD 19,000,000	1	–	–
	<u>4</u>	<u>3</u>	<u>4</u>

11. FINANCE COSTS

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Finance expenses			
– Interest expense on borrowings	5,536	2,952	4,379
– Interest expense on lease liabilities (Note 27(b))	414	1,011	1,236
	<u>5,950</u>	<u>3,963</u>	<u>5,615</u>

12. INCOME TAX EXPENSES/(CREDIT)

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Current tax	17,882	20,390	40,503
Deferred income tax	(8,535)	(25,557)	25,873
	<u>9,347</u>	<u>(5,167)</u>	<u>66,376</u>

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended 31 December 2017, 2018 and 2019, being the standard income rate in the PRC. The differences are analyzed as follows:

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
(Loss)/profit before income tax:	(332,677)	(187,961)	151,039
Tax calculated at tax rate of 25%	(83,169)	(46,990)	37,760
Tax effects of:			
– Different income tax rates applicable to subsidiaries	(422)	(3,245)	653
– Research and development super deduction	(1,531)	(12,025)	(9,130)
– Expenses not deductible for tax purpose	81,564	53,203	48,731
– Utilization of previously unrecognized tax losses	–	(3,105)	(17,927)
– Deferred tax benefits not recognized ..	12,909	24,629	3,759
– (Profits)/losses attributable to associates	(4)	254	2,530
– Recognition of previously unrecognized tax losses	–	(17,888)	–
	<u>9,347</u>	<u>(5,167)</u>	<u>66,376</u>

* Expenses not deductible for tax purpose mainly comprise fair value changes of convertible redeemable preferred shares (Note 30) and share-based compensation expenses with respect to employee share schemes (Note 10(a)).

(a) Cayman Islands and British Virgin Islands corporate income tax

Under the current laws of Cayman Islands and the British Virgin Islands, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the year ended 31 December 2017. Hong Kong profits tax has been provided for at the rate of 8.25% on the estimated assessable profits up to HKD2,000,000; and 16.5% on any part of the estimated assessable profits over HKD2,000,000 for the years ended 31 December 2018 and 2019.

(c) PRC CIT

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the years ended 31 December 2017, 2018 and 2019.

Shenzhen Yeahka had obtained the relevant approval from relevant tax bureau as "Software Enterprise" in October 2012. Therefore, Shenzhen Yeahka was exempt from CIT for two years, followed by a 50% reduction in the applicable tax rates (12.5%) for the following three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years. Its first profit making year was 2014, thus the tax exemption period for Shenzhen Yeahka was from 1 January 2014 to 31 December 2015. Since Shenzhen Yeahka did not meet the criteria of "Software Enterprise" in 2018, the 50% reduction in the applicable tax rates period was applicable from 1 January 2016 to 31 December 2017. In addition, Shenzhen Yeahka had also applied to the relevant tax bureau and was granted the qualification as "High and New Technology Enterprise" ("HNTe") in October 2018. As a result, it is subject to a preferential CIT rate of 15% for a 3-year period from 2018 to 2020.

Leshua had obtained the relevant approval from relevant tax bureau as "Software Enterprise" in October 2016. Therefore, Leshua was exempt from CIT for two years, followed by a 50% reduction in the applicable tax rates (12.5%) for the next three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years, which was 2013. In addition, Leshua had applied to the relevant tax bureau and was granted the qualification as HNTe in October 2017, as a result, it is subject to a preferential CIT rate of 15% for a 3-year period from 2017 to 2019.

Letuobao is subject to a preferential CIT rate of 15% till 31 December 2020, as it is an enterprise established in the Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone ("Qianhai Zone") and is engaged in business that falls within the catalogue for CIT preferential treatments of Qianhai Zone.

(d) Research and development super deduction

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses before 2018 and 175% since 2018 so incurred as tax deductible expenses when determining their assessable profits for that year.

13. (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

Basic (losses)/earnings per share are calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years.

	Year ended 31 December		
	2017	2018	2019
(Losses)/Profit attributable to equity holders of the Company (in RMB thousands)	(342,024)	(182,794)	84,663
Weighted average number of ordinary shares in issue (in thousands)(i)	47,618	47,618	46,093
Basic (losses)/earnings per share (expressed in RMB per share)	<u>(7.18)</u>	<u>(3.84)</u>	<u>1.84</u>

(i) Weighted average number of ordinary shares in issue for the year ended 31 December 2019 has been determined based on the number of shares in issue, after considering the effect of 3,871,964 shares issued relating to the acquisition of Tuozhanbao, which are returnable and conditional on achievement of performance as mentioned in Note 33(a)(ii) and 2,929,809 ordinary shares repurchased and cancelled by the Company at a cash consideration of RMB68,523,000 in July 2019.

(b) Diluted (losses)/earnings per share

Diluted (losses)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Group has three categories of potential ordinary shares in the Track Record Period: convertible redeemable preferred shares, share options/restricted share issued to employees and returnable ordinary shares issued for the acquisition of Tuozhanbao as mentioned in Note 33.

During the Track Record Period, the convertible redeemable preferred shares were anti-dilutive due to their conversion to ordinary shares would decrease the losses per share for the year ended 31 December 2017 and 2018 and increase the earnings per share for the year ended 31 December 2019.

For the returnable ordinary shares issued in 2019 for the acquisition of Tuo-zhanbao as described in Note 33, only the portion of unreturnable shares was included in the calculation of diluted EPS as if 31 December 2019 were the ending of the contingency period.

For the years ended 31 December 2017 and 2018, the shares options/restricted shares issued were anti-dilutive. For the year ended 31 December 2019, restricted share granted by the Group have potential dilutive effect to the diluted earnings per share.

After considering all of the above factors, the diluted loss for the year ended 31 December 2017 and 2018 were the same as basic losses per share; while for year ended 31 December 2019, the diluted earnings per share is RMB1.55 per share.

	Year ended 31 December		
	2017	2018	2019
(Losses)/Profit attributable to equity holders of the Company (in RMB thousands)	(342,024)	(182,794)	84,663
Weighted average number of ordinary shares in issue (in thousands).....	47,618	47,618	46,093
Adjustments for returnable ordinary shares (in thousands).....	–	–	343
Adjustments for unvested restricted share units (in thousands)	–	–	8,074
Weighted average number of ordinary shares for the calculation of diluted earnings per share (in thousands)...	47,618	47,618	54,510
Diluted (losses)/earnings per share (expressed in RMB per share).....	<u>(7.18)</u>	<u>(3.84)</u>	<u>1.55</u>

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At the beginning of the year	1,334	6,369	37,426
Additions	5,000	35,000	9,358
Share of profits/(losses).....	35	(3,943)	(14,521)
Deemed disposal gains from an associate ..	–	–	2,217
Provision for impairment.....	–	–	(3,413)
At the end of the year	<u>6,369</u>	<u>37,426</u>	<u>31,067</u>

Set out below are the associates and joint venture of the Group as at 31 December 2017, 2018 and 2019, which, in the opinion of the directors, none of the associates or joint venture was individually significant to the Group. The associates and joint venture as listed below have capital consisting solely of ordinary shares. The proportion of ownership interest is the same as the proportion of voting rights held.

The Group determined that it possesses significant influence in these companies by having a representative sitting at their boards of directors. The associates and joint venture as listed below are private companies and there are no quoted market prices available for their shares. There were no contingent liabilities relating to the Group's interest in the associates and joint venture as at 31 December 2017, 2018 and 2019.

Company name	Date of incorporation dd/mm/yyyy	Registered Capital (RMB)	Percentage of ownership interest attributable to the Group			Principal activities and place of operation
			31 December			
			2017	2018	2019	
Shenzhen Xunxiang Technology Co., Ltd.* (深圳市迅享科技有限公司) ("Xun Xiang") (Note(a))	23/07/2013	RMB1,000,000	10%	10%	10%	SaaS service/PRC
Suzhou Jiarong Technology Co., Ltd.* (蘇州嘉融科技有限公司) ("Suzhou Jia Rong") (Note(b))	02/07/2015	RMB1,500,000	49%	N/A	N/A	Mobile payment/PRC
Shenzhen Chaomeng Financial Technology Information Service Co., Ltd.* ("Chao Meng") (Note(c))	23/07/2016	RMB22,222,220	N/A	10%	10%	Mobile payment/PRC
Shenzhen Baida Technology Co., Ltd.* (深圳市百答科技有限公司) (Note(d))	26/10/2012	RMB10,000,000	N/A	10%	10%	Software design and technology development/PRC
The World is Flat (Cayman) Corporation (Note(e))	01/09/2017	USD50,000	6%	5%	5%	Mobile payment/PRC
RYK Capital Partners Limited (Note(f))	06/03/2019	HKD49,000,000	N/A	N/A	10%	Investment Holding/Hong Kong
Fushi Technology (Shenzhen) Co., Ltd.* (深圳市富匙科技有限公司) (Note(g))	12/04/2016	RMB10,000,000	N/A	N/A	45%	Mobile payment/PRC

* For identification only

- (a) In February 2015, the Group invested 10% interest in Xun Xiang for a cash consideration of RMB1 million and obtained significant influence over Xun Xiang through board representation. Accordingly, Xun Xiang became an associate of the Group accounted for using the equity method.
- (b) In July 2015, the Group co-founded Suzhou Jia Rong with a third party individual and obtained 49% interest in Suzhou Jia Rong for a cash consideration of RMB1 million. All significant operational and financial decisions of Suzhou Jia Rong should be agreed by all the equity owners. Accordingly, Suzhou Jia Rong became a joint venture of the Group accounted for using the equity method. Suzhou Jia Rong was liquidated on 2 August 2018.
- (c) In May 2018, the Group invested 10% interest in Chao Meng for a cash consideration of RMB30 million and obtained significant influence over Chao Meng through board representation. Accordingly, Chao Meng became an associate of the Group accounted for using the equity method.

- (d) In April 2018, the Group invested 10% interest in Shenzhen Baida Technology Co., Ltd. for a cash consideration of RMB5 million and obtained significant influence over Shenzhen Baida Technology Co., Ltd. through board representation. Accordingly, Shenzhen Baida Technology Co., Ltd. became an associate of the Group accounted for using the equity method.
- (e) In September 2017, the Group invested 6.25% interest in The World is Flat (Cayman) Corporation for a cash consideration of RMB5 million and obtained significant influence over The World is Flat (Cayman) Corporation through board representation. Accordingly, The World is Flat (Cayman) Corporation became an associate of the Group accounted for using the equity method. Deemed disposal gains of approximately RMB2,217,000 on dilution of the Group's equity interests in The World is Flat (Cayman) Corporation due to new equity interests being issued by the associate was recognised during the year ended 31 December 2019.
- (f) In March 2019, the Group invested 10% interest in RYK Capital Partners Limited for a cash consideration of approximately RMB4,358,000 and obtained significant influence over RYK Capital Partners Limited through board representation. Accordingly, RYK Capital Partners Limited became an associate of the Group accounted for using the equity method.
- (g) In April 2019, the Group invested 45% interest in Fushi Technology (Shenzhen) Co., Ltd for a cash consideration of RMB5 million and obtained significant influence over Fushi Technology (Shenzhen) Co., Ltd through board representation. Accordingly, Fushi Technology (Shenzhen) Co., Ltd became an associate of the Group accounted for using the equity method.

Summarized financial information in respect of the Group's associates is set out below:

Summarised statements of financial position

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Current assets	9,272	86,458	157,555
Non-current assets	292	20,503	16,665
Current liabilities	(8,380)	(85,495)	(180,258)
Net assets/(liabilities)	1,184	21,466	(6,038)
Reconciliation to carrying amounts:			
Opening net assets at 1 January	482	1,184	21,466
Addition for the year	–	62,950	4,287
Capital injection	–	–	100,949
Profit/(losses) for the year	702	(42,668)	(127,213)
Other comprehensive loss	–	–	(2,495)
Closing net assets/(liabilities) at the end of year	1,184	21,466	(6,038)
Group's share of net assets/(liabilities)	123	2,052	(7,820)
Goodwill	6,246	35,374	38,887

Summarised statements of profit or loss and other comprehensive income

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Revenue	12,174	279,827	411,484
Profit/(losses) for the year	702	(42,668)	(130,245)
Other comprehensive loss	–	–	(2,495)
Total comprehensive income/(loss)	702	(42,668)	(132,740)

- (h) With the assistance of valuation performed by a third-party independent valuer by using the market approach, the directors of the Company assessed that the recoverable amount of Chao Meng as at 31 December 2019 was lower than the respective carrying amount of investment by RMB3,413,000, and accordingly, an impairment provision of the same amount had been charged against the investment and recorded as an expense in the financial statements of the Group for the year ended December 31, 2019.

As at 31 December 2017, 2018 and 2019, the directors of the Company had assessed and considered that there were no significant impairment in the carrying values of the investments accounted for using the equity method, except for Chao Meng.

15. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets	Equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017					
Cost	10,404	3,247	433	1,720	15,804
Accumulated depreciation	(5,180)	(1,638)	(41)	(195)	(7,054)
Net book amount	<u>5,224</u>	<u>1,609</u>	<u>392</u>	<u>1,525</u>	<u>8,750</u>
Year ended 31 December 2017					
Opening net book amount	5,224	1,609	392	1,525	8,750
Additions	5,795	1,396	–	2,065	9,256
Depreciation charge	(5,055)	(947)	(82)	(1,499)	(7,583)
Currency translation difference ..	–	–	–	(28)	(28)
Closing net book amount	<u>5,964</u>	<u>2,058</u>	<u>310</u>	<u>2,063</u>	<u>10,395</u>
As at 31 December 2017					
Cost	16,199	4,643	433	3,717	24,992
Accumulated depreciation	(10,235)	(2,585)	(123)	(1,654)	(14,597)
Net book amount	<u>5,964</u>	<u>2,058</u>	<u>310</u>	<u>2,063</u>	<u>10,395</u>
Year ended 31 December 2018					
Opening net book amount	5,964	2,058	310	2,063	10,395
Additions	21,452	3,558	3,198	2,705	30,913
Disposals	–	(19)	(276)	–	(295)
Depreciation charge	(8,539)	(1,214)	(209)	(1,929)	(11,891)
Currency translation difference ..	–	–	(6)	25	19
Closing net book amount	<u>18,877</u>	<u>4,383</u>	<u>3,017</u>	<u>2,864</u>	<u>29,141</u>
As at 31 December 2018					
Cost	37,651	8,182	3,355	6,545	55,733
Accumulated depreciation	(18,774)	(3,799)	(338)	(3,681)	(26,592)
Net book amount	<u>18,877</u>	<u>4,383</u>	<u>3,017</u>	<u>2,864</u>	<u>29,141</u>
Year ended 31 December 2019					
Opening net book amount	18,877	4,383	3,017	2,864	29,141
Additions	15,314	6,336	–	1,257	22,907
Business combination (Note 33) ..	–	154	–	–	154
Disposals	–	(160)	–	–	(160)
Depreciation charge	(7,659)	(2,422)	(610)	(1,541)	(12,232)
Currency translation difference ..	–	–	42	2	44
Closing net book amount	<u>26,532</u>	<u>8,291</u>	<u>2,449</u>	<u>2,581</u>	<u>39,854</u>
As at 31 December 2019					
Cost	52,965	14,367	3,250	7,846	78,428
Accumulated depreciation	(26,433)	(6,076)	(801)	(5,264)	(38,574)
Net book amount	<u>26,532</u>	<u>8,291</u>	<u>2,449</u>	<u>2,582</u>	<u>39,854</u>

All of the depreciation expenses have been charged to administrative expenses.

16. INTANGIBLE ASSETS

	Goodwill	Customer relationship	Software	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017				
Cost	5,524	–	150	5,674
Accumulated amortization and impairment	(5,524)	–	(7)	(5,531)
Net book amount	–	–	143	143
Year ended 31 December 2017				
Opening net book amount	–	–	143	143
Additions	–	–	76	76
Amortization charge	–	–	(63)	(63)
Closing net book amount	–	–	156	156
At 31 December 2017				
Cost	5,524	–	226	5,750
Accumulated amortization and impairment	(5,524)	–	(70)	(5,594)
Net book amount	–	–	156	156
Year ended 31 December 2018				
Opening net book amount	–	–	156	156
Additions	–	–	1,061	1,061
Disposals of subsidiaries	–	–	(2)	(2)
Amortization charge	–	–	(287)	(287)
Closing net book amount	–	–	928	928
At 31 December 2018				
Cost	5,524	–	1,285	6,809
Accumulated amortization and impairment	(5,524)	–	(357)	(5,881)
Net book amount	–	–	928	928
Year ended 31 December 2019				
Opening net book amount	–	–	928	928
Additions	–	–	413	413
Business combination (Note 33(a))	145,840	29,800	–	175,640
Amortization charge	–	(5,794)	(511)	(6,305)
Closing net book amount	145,840	24,006	830	170,676
At 31 December 2019				
Cost	151,364	29,800	1,698	182,862
Accumulated amortization and impairment	(5,524)	(5,794)	(868)	(12,186)
Net book amount	145,840	24,006	830	170,676

(a) Impairment tests for goodwill related to Tuo-zhanbao acquisition

Goodwill acquired in a business combination is allocated to the CGU that are expected to benefit from that business combination.

The carrying amounts of goodwill allocated to the CGU of Tuo-zhanbao are RMB145,840,000 as at 31 December 2019.

The recoverable amount of a CGU was determined by discounting the pre-tax future cash flows to be generated from the continuing use of the CGU.

The recoverable amount of Tuo-zhanbao CGU was determined to be higher than its carrying amount and no impairment loss was recognised as at 31 December 2019.

Key assumptions used for determination of recoverable amount are set out below:

Gross profit margin	37.2%-40.3%
Terminal value growth rate	3.0%
Pre-tax discount rate	67.4%

The revenue growth rate applied are 39.0%, 25.7%, 4.7%, 4.7% and 4.7% for each of the 5 years from 2020 to 2024, respectively.

(i) Revenue growth rate and gross profit margin

Revenue growth rate and gross profit margin are determined by management of the Company based on past performance and the future business plan of Tuo-zhanbao and synergy expected to be achieved from the business combination.

(ii) Terminal value growth rate

A terminal growth rate of 3%, which is based on the expected inflation rate, has been applied to the terminal year's cash flow.

(iii) Discount rate

67.4% pre-tax discount rate was applied, which reflected the nature and stage of development of the underlying business acquired and also the returns required by the Company in the acquisition.

(iv) Based on the result of the goodwill impairment test performed by the directors of the Company, the estimated recoverable amount exceeded its carrying value by RMB56,154,000 as at 31 December 2019. Accordingly, no impairment provision was required to be made as at 31 December 2019. The directors of the Company had performed a sensitivity analysis on the key assumptions used in management's impairment test of goodwill. Had the estimated gross profit margin, and estimated discount rate during the forecast period been 7.1% lower and 18.3% higher respectively, the recoverable amount would have been equal to the carrying amount. Any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

- (b) The amortization of intangible assets have been charged to the consolidated statement of profit or loss as follows:

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cost of revenue.....	–	–	5,794
Administrative expenses.....	63	287	511
	<u>63</u>	<u>287</u>	<u>6,305</u>

17. OTHER NON-CURRENT ASSETS

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Payment terminals	<u>41,178</u>	<u>111,279</u>	<u>90,450</u>

The costs of payment terminals are amortized over 3 years in accordance with the expected benefit period. The amortization of payment terminals is charged to cost of revenue according to the provisions prescribed under IFRS 15.

18. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Financial assets-amortized cost			
– Trade receivables	–	–	43,528
– Other receivables	422,687	879,164	1,127,765
– Cash and cash equivalents	480,521	479,839	441,315
– Restricted cash	54,606	141,385	162,124
	<u>957,814</u>	<u>1,500,388</u>	<u>1,774,732</u>
Financial assets at FVPL	<u>–</u>	<u>–</u>	<u>41,046</u>
Financial liabilities-amortized cost			
– Trade payables	54,249	132,385	74,112
– Other payables	263,371	1,000,538	1,051,594
– Lease liabilities	6,172	19,413	27,780
– Borrowings	275,708	45,100	136,500
	<u>599,500</u>	<u>1,197,436</u>	<u>1,289,986</u>
Financial liabilities at FVPL	<u>922,103</u>	<u>1,179,180</u>	<u>1,373,447</u>

19. FINANCIAL ASSETS AT FVPL

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Contingent consideration	–	–	41,046

The balance is derived from contingent consideration in relation to the acquisition of TuoZhanbao, which was completed in June 2019. The determination of fair value and the related sensitivity analysis was set out in Note 33(a)(ii).

20. TRADE RECEIVABLES

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Due from third parties (b)	–	–	43,528

- (a) The carrying amounts of the trade receivables balances were approximate to their fair value as at 31 December 2019. All the trade receivables balances were denominated in RMB.
- (b) The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables. Information about the impairment of trade receivables and the Group's exposure to credit risk has been disclosed in Note 3.1.
- (c) The Group allows a credit period within 30-180 days to its customers. Aging analysis of trade receivables based on invoice date is as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Up to 3 months	–	–	43,430
3 to 6 months	–	–	–
Over 6 months	–	–	98
	–	–	43,528

21. PREPAYMENTS AND OTHER RECEIVABLES

(a) Prepayments and other receivables in non-current assets

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Prepayments for			
– Investment in Hanzhou Shouzhan Technology Co., Ltd (“ Shouzhan ”) ⁽ⁱ⁾	–	–	20,000
– Investment in Fushi Technology (Shenzhen) Co., Ltd (“ Fushi ”) ⁽ⁱⁱ⁾ ..	–	–	10,000
Lease deposits	818	1,233	2,279
	<u>818</u>	<u>1,233</u>	<u>32,279</u>

(i) The Group entered into an investment agreement with third party individuals in January 2019, pursuant to which the Group has agreed to invest approximately 1.6% equity interest (subject to revision) in Shouzhan at a consideration of RMB20,000,000. The Group prepaid the consideration in full in January 2019. The completion of the acquisition is subject to certain prerequisites including the completion of establishment of Shouzhan's oversea group structure, which had not been satisfied as at 31 December 2019.

(ii) In December 2019, the Group and RYK Capital Partners Limited, an associate of the Group agreed to make capital contributions into Fushi together in 2020. After the capital contributions are made by the relevant parties, the Group's shareholding in Fushi will be slightly diluted and Fushi will continue to be accounted for as an associate of the Group. The Group deposited a prepayment of RMB10,000,000 with Fushi in 2019 arising from such arrangement.

(b) Prepayments and other receivables in current assets

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Prepayments			
Prepayment for repurchase of the Company's ordinary shares in issue	–	10,000	–
Prepaid listing expenses	–	–	8,010
Prepayments for payment terminals	3,857	5,495	18,490
Others	752	3,539	7,227
Sub-total	4,609	19,034	33,727
Other receivables			
Amounts due from related parties (Note 35)	5,507	2,586	30,810
Receivables from payment networks ⁽ⁱ⁾	398,262	818,599	800,658
Deposits	1,204	2,565	5,907
Payment network deposits	1,150	2,100	1,500
Loan receivables ⁽ⁱⁱ⁾	4,454	30,840	242,615
Deposits placed with financial institutions	–	8,631	40,366
Others	11,691	14,481	23,378
Less: allowance for impairment of loan receivables ⁽ⁱⁱⁱ⁾	(399)	(1,871)	(10,244)
Less: allowance for amount due from Chao Meng ^(iv)	–	–	(9,504)
Sub-total	421,869	877,931	1,125,486
	426,478	896,965	1,159,213

(i) The amount represents funds processed by the Group during the course of providing its one-stop payment services to merchants, which had been received by the payment networks, and would be then transferred to the respective merchants through the Group in accordance with the terms of agreements entered into between the Group and the merchants.

(ii) The loan receivables mainly comprise entrusted loans and small-sized retail loans granted by the Group to various borrowers through various financial institutions including the Trust (Note 1.2 (h)). The borrowers are merchants and consumers signed up by the Group for its one-stop payment services. The loans bore interest rate from 8% to 36% per annum and with lending periods of less than one year.

(iii) The movements of impairment of loan receivables and the Group's exposure to credit risk are disclosed in Note 3.1(b).

(iv) As at 31 December 2019, the amounts due from related parties mainly include an advance with an amount of RMB30 million, which was made to Chao Meng in January 2019 in connection with certain new business cooperation it had intended to pursue. The directors of the Company made an impairment provision of RMB9,504,000 against this balance as at 31 December 2019, based on the assessment of the expected cashflows to be generated by Chao Meng in its future operations and the amounts that they would repay to the Group. The directors believe that the provision set up reflected the current best estimate as of the date of approval of the financial statements.

(v) The carrying amounts of the other receivables balances approximate their fair value as at 31 December 2017, 2018 and 2019. All the prepayments and other receivable balances were denominated in RMB.

22. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	535,127	621,224	603,439
Less: restricted cash ^(a)	(54,606)	(141,385)	(162,124)
	480,521	479,839	441,315

(a) Restricted cash represents client reserve fund received on behalf of merchants in connection with the provision of the Group's one-stop payment services.

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
RMB	486,980	575,868	545,534
JPY	239	169	163
USD	47,908	44,294	33,080
HKD	–	893	24,662
	535,127	621,224	603,439

23. SHARE CAPITAL

Authorized:

The Company was incorporated in the Cayman Islands on 8 September 2011 with an authorized share of USD8,989 divided into 89,891,433 shares of par value of USD0.0001 each.

	Number of shares	Nominal value	
		In USD	In RMB
			Equivalent
Balance at 1 January 2017, 31 December 2017, 2018 and 2019	89,891,433	8,989	56,575

Issued:

	Number of shares	Nominal value	
		In USD	In RMB Equivalent
Balance at 1 January 2017,			
31 December 2017, 2018	47,618,182	4,762	29,971
Share repurchase (a)	(2,929,809)	(293)	(2,017)
Share issued for Tuozhanbao acquisition (a)	3,871,964	387	2,662
Shares issued for Restricted Share Units Scheme (b)	9,613,238	961	6,724
Sub-total	58,173,575	5,817	37,340
Less: Shares held by Restricted Share Units Nominees (b)	(9,613,238)	(961)	(6,724)
As at 31 December 2019	48,560,337	4,856	30,616

(a) 2,929,809 ordinary shares were repurchased by the Company at a cash consideration of RMB68,523,000 in June 2019 and cancelled subsequently in July 2019. 3,871,964 ordinary shares were issued for Tuozhanbao acquisition in July 2019, which is subject to return if the performance condition cannot be achieved as mentioned in Note 33.

(b) 9,613,238 ordinary shares were issued, by the Company to a trust controlled by the Company in November 2019 for the Company's Restricted Share Units Scheme (Note 32).

24. OTHER RESERVES

	Other reserves			
	Capital reserves	Currency Translation differences	Share-based compensation reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017	500	(38,613)	104,716	66,603
Currency translation difference	–	35,288	–	35,288
Employee share schemes				
– value of employee services	–	–	32,801	32,801
As at 31 December 2017	500	(3,325)	137,517	134,692

	Other reserves			
	Capital reserves	Currency Translation differences	Share-based compensation reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2018	500	(3,325)	137,517	134,692
Currency translation difference	–	(41,236)	–	(41,236)
Employee share schemes – value of employee services	–	–	9,085	9,085
As at 31 December 2018	500	(44,561)	146,602	102,541
As at January 1, 2019	500	(44,561)	146,602	102,541
Share repurchase (Note 23)	(68,521)	–	–	(68,521)
Shares to be issued upon the acquisition of Tuo-zhanbao (Note 33)	236,657	–	–	236,657
Currency translation difference	–	(19,993)	–	(19,993)
Employee share schemes – value of employee services	–	–	9,661	9,661
As at 31 December 2019	168,636	(64,554)	156,263	260,345

25. DIVIDENDS

No dividends have been paid or declared by the Company during each of the years ended 31 December 2017, 2018 and 2019.

26. CONTRACT LIABILITIES

Contract liabilities represent deferred revenues arising from Entry Fees received from merchants and fair value of unconsumed coupons sold to merchants for reduction against payment processing commissions, which are recognized as revenue based on the accounting policy set out in Note 2.19.

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	3,033	10,049	72,178
Received from merchants	72,337	161,669	147,493
Revenue recognized	(65,321)	(99,540)	(193,761)
At the end of the year/period	10,049	72,178	25,910

As at 31 December 2017, 2018 and 2019, all performance obligations not yet satisfied by the Group were from contracts with original expected duration of one year or less. Therefore, as permitted by the relevant practical expedient under IFRS 15, the transaction price allocated to these unsatisfied performance obligations were not disclosed.

(c) Amounts recognised in the consolidated statements of cash flows

During the years ended 31 December 2017, 2018 and 2019, the total cash outflows for leases were analysed as below:

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities			
Payments for short-term leases in respect of:			
Properties	1,132	1,220	3,732
Servers	1,458	2,621	4,899
	2,590	3,841	8,631
Cash flows from financing activities			
Lease payments (including interest paid)	5,380	9,223	8,183

Payments for short-term leases were not shown separately, but included in the line of "(loss)/profit before income tax" in respect of the net cash generated from operations which were presented in Note 34 under the indirect method.

28. TRADE AND OTHER PAYABLES

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade payables ^(a)	54,249	132,385	74,112
Amounts due to related party (Note 35) ..	2,871	299	480
Deposits from distribution channels ^(b)	26,241	34,280	38,337
Payables to merchants ^(c)	227,289	955,587	957,760
Employee benefit payables	15,945	21,713	31,147
Other taxes payables	33,722	12,480	7,998
Entry fees received from distribution channels ^(d)	41,691	80,271	56,880
Listing expenses payables	–	–	5,111
Payables to creditors ^(e)	–	–	38,738
Others	6,970	10,372	11,168
	408,978	1,247,387	1,221,731

- (a) Trade payables mainly represent amounts due to suppliers for purchase of payment terminals and other equipment; commission payable to distribution channels for one-stop payment services and processing fees payable to payment networks and financial institutions.

As at 31 December 2017, 2018 and 2019, the aging analysis of trade payables based on the invoice date was as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Up to 3 months	53,669	110,732	58,248
3 to 6 months	49	20,315	15,859
Over 6 months	531	1,338	5
	<u>54,249</u>	<u>132,385</u>	<u>74,112</u>

- (b) The amount represents refundable deposits placed by distribution channels with the Group when they signed up the distribution channel agreements with the Group. It would be refunded to the respective distribution channel upon expiration of the agreements.
- (c) The balance represents funds processed by the Group for merchants, which are required to be settled with merchants upon the respective contractual settlement clearance dates.
- (d) The amount represents one-off and upfront entry fees received from distribution channels, which is credited to profit or loss to off-set cost of revenue – commission to distribution channels using the straight-line method over the expected beneficial period of 3 years.
- (e) The balance represents fund raised from third party creditors in relation to the small-sized retail loans granted to customers since September 2019 (Note 21(b)(ii)) through the Trust (Note 1.2 (h)). The balance bore interest at a rate of 8.0% to 8.5% per annum.

As at 31 December 2017, 2018 and 2019, trade and other payables were all denominated in RMB and the fair values of these balances were approximated to their carrying amounts.

29. BORROWINGS

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Current			
Bank borrowings			
– unsecured with guarantee ^(a)	51,400	45,100	116,500
– unsecured without guarantee ^(b)	224,308	–	–
Borrowing from other non-banking financial institution			
– unsecured with guarantee ^(c)	–	–	20,000
	<u>275,708</u>	<u>45,100</u>	<u>136,500</u>

- (a) For the years ended 31 December 2017, 2018 and 2019, bank borrowings with guarantee bore effective interest rate of 5.3%, 5.3% and 5.5% per annum, respectively.

As at 31 December 2017, 2018 and 2019, bank borrowing of RMB20,000,000, RMB nil, RMB30,000,000 of Le Shua was guaranteed by Shenzhen High-tech Investment and Guaranty Co., Ltd, Shenzhen Yeahka, Mr Liu and his wife, Ms. Luo Haiying ("Mrs. Liu").

As at 31 December 2017, 2018 and 2019, bank borrowings of RMB31,400,000, RMB45,100,000, RMB86,500,000 of Shenzhen Yeahka were guaranteed by Shenzhen Small & Medium Enterprises Credit Financing Guarantee Group Co., Ltd, Le Shua, Mr. Liu and Mrs. Liu.

- (b) For the year ended 31 December 2017, bank borrowings without guarantee bore effective interest rate of 5.5 % per annum.
- (c) As at 31 December 2019, other borrowing of RMB10,000,000 of Feiquan Cloud Data Service (Shenzhen) Co., Ltd bore effective interest rate of 12.0% per annum and was guaranteed by Mr. Liu and his wife Mrs. Liu.

As at 31 December 2019, other borrowing of RMB10,000,000 of Le Shua bore effective interest rate of 6.5% per annum and was guaranteed by Mr. Liu and his wife Mrs. Liu.

30. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The movement of the convertible redeemable preferred shares is set out below:

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Opening balance	526,660	922,103	1,179,180
Redemption of Series C Preferred Shares ⁽ⁱ⁾	–	–	(52,356)
Issuance of Series C Preferred Shares ⁽ⁱⁱ⁾	159,000	–	43,891
Changes in fair value	275,712	213,216	181,521
Currency translation differences	(39,269)	43,861	21,211
Closing balance	<u>922,103</u>	<u>1,179,180</u>	<u>1,373,447</u>

(i) 1,189,046 Series C Preferred Shares were redeemed at a consideration of RMB52,356,000 in June 2019.

(ii) The Company also issued and allotted 941,981 Series C Preferred Shares at a consideration of RMB43,891,000 approximately in July 2019.

During the Track Record Period, the Group had completed several rounds of financing by issuing Preferred Shares as summarised in the table below:

	Date of issuance dd/mm/yyyy	Issue price (per share)	Number of shares	Total Consideration	
				In USD	In RMB Equivalent
Series A1	19/01/2012	USD1	6,514,747	6,514,747	40,788,587
Series A2	05/07/2012	USD1	1,554,275	1,554,275	9,818,355
Series A3	12/11/2012	USD1	1,554,275	1,554,275	9,777,167
Series B	09/03/2015	USD4.24	7,664,914	32,499,998	200,079,735
Series C (first batch)	28/11/2017	RMB41.79	3,804,947	NA	159,000,000
Series C (second batch)	<u>25/07/2019</u>	<u>USD6.77</u>	<u>941,981</u>	<u>6,381,764</u>	<u>43,872,585</u>

In 2012, the Company issued Preferred Shares at an issue price of USD 1 per share ("**Series A Preferred Shares**") to some institutional investors. Series A Preferred Shares were continuously issued from January 2012 to November 2012 and a total of 9,623,297 shares were issued.

In March 2015, the Company issued Preferred Shares at an issue price of USD 4.24 per share. Total of 7,664,914 shares were issued ("**Series B Preferred Shares**").

In November 2017, the Group issued 3,804,947 Preferred Shares at an issue price of RMB41.79 per share through the subscription of Shenzhen Yeahka's registered capital. In June 2019, 1,189,046 Preferred shares were redeemed. In July 2019, the Company issued 941,981 Preferred Shares at an issue price of USD 6.77 per share (collectively as "**Series C Preferred Shares**"). As of date of this report, total of 3,557,882 shares of Series C Preferred Shares is outstanding.

The key terms of the Preferred Shares are summarized as follows:

(a) Dividends rights

Non-cumulative dividends per Preferred Share of 8% per annum when and if declared by the board of the Company, prior and in preference to holders of all other current or future class or series of shares of the Company, including the ordinary shares.

(b) Voting rights

Each Preferred Share has voting rights equivalent to the number of ordinary shares into which such Preferred Shares could be then convertible.

(c) Liquidation rights

In the event of any liquidation, each holder of Preferred Shares shall be entitled to receive, on a pari passu basis, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of ordinary shares or any other class or series of shares by reason of their ownership of such shares, an amount per share equal to (i) with respect to the Series A Preferred Shares, one hundred and fifty percent (150%) of the Series A issue price (as adjusted for share splits, share dividends, combinations, recapitalizations and similar events with respect to such shares), plus all accrued but unpaid dividends on the Series A Preferred Shares; (ii) with respect to the Series B Preferred Shares, the greater of (a) the Series B issue price (as adjusted for share splits, share dividends, combinations, recapitalizations and similar events with respect to such shares), plus all accrued but unpaid dividends on the Series B Preferred Shares, or (b) such amount per share as would have been payable had all Series B Preferred Shares been converted to ordinary shares immediately prior to such liquidation event and (iii) with respect to the Series C Preferred Shares, the greater of (a) the Series C issue price (as adjusted for share splits, share dividends, combinations, recapitalizations and similar events with respect to such shares), plus all accrued but unpaid dividends on the Series C Preferred Shares, or (b) such amount per share as would have been payable had all Series C Preferred Shares been converted to ordinary shares immediately prior to such liquidation event (subclause (i) and (ii) together, the "**Preferred Preference Amount**") provided, however, that if the Series A issue Price, Series B Issue Price or Series C issue price paid by a holder of Preferred Shares included consideration other than cash, cash equivalents or securities which are listed and traded on one or more recognized securities exchanges in or outside the United States, and which are not restricted securities within the meaning of the United States Securities Act of 1933 or Rule 144 adopted thereunder ("**Non-Cash Consideration**"), such Non-Cash Consideration shall be excluded from the Series A Issue Price, Series B Issue Price or Series C issue price for the purpose of calculating the Preferred Preference Amount. If upon the occurrence of a liquidation event, the assets and funds thus distributed among the holders of the Preferred Shares shall be insufficient to permit the payment to the holders of the full Preferred Preference Amount, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Preferred Shares.

(d) Conversion rights

Each Preferred Share shall be convertible, at the option of the holder thereof, at any time after the original issue dates of Series A, B and C Shares, as applicable, into such number of fully paid and non-assessable ordinary shares at an initial conversion ratio of 1:1 subject to (i) adjustment for share splits and combinations; (ii) adjustment for ordinary share dividends and distributions; (iii) adjustment for other dividends; and (iv) adjustment in Preferred Shares conversion price for dilutive issuances.

Automatic Conversion: Each Preferred Share shall automatically be converted into ordinary shares, at the then effective conversion price with respect to such Preferred Share upon the earlier of (i) the vote to convert by the holders of a majority of the Series B Shareholders and a 75% of all Preferred Shares holders, voting as a single class, or (ii) upon the closing of a qualified public offering. In the event of the automatic conversion of the Preferred Shares upon closing of a qualified public offering as described above, the person(s) entitled to receive the ordinary shares issuable upon such conversion of Preferred Shares shall not be deemed to have converted such Preferred Shares until immediately prior to the closing of such qualified public offering.

(e) Redemption rights

At any time commencing after 31 December 2015 (or, with respect to IVP Funds, at any time redeemable after 1 February 2020) for Series A preferred shares, provided that no qualified public offering or trade sale has occurred, and subject to the law, at the election and upon written consent of the holders of at least 75% of the then outstanding Series A Preferred Shares (or, with respect to IVP, at the election and upon written consent of IVP) (the "**Series A Redeeming Shareholders**") the Company shall redeem up to all of the outstanding Series A Preferred Shares held by the Series A Redeeming Shareholders out of funds legally available therefor including capital, at a redemption price per share (the "**Series A Redemption Price**") equal to one hundred fifty percent (150%) of the Series A Issue Price plus all declared but unpaid dividends thereon up to the date of the redemption, proportionally adjusted for share subdivisions, share dividends, reorganizations, reclassifications, consolidations, or mergers, provided, however, that if the Series A Issue Price paid by a holder of Series A Preferred Shares included Non-Cash Consideration, such Non-Cash Consideration shall be excluded from the Series A Issue Price for the purpose of calculating the Series A Redemption Price.

At any time commencing after 1 February 2020 for Series B Preferred Shares, provided that no qualified public offering or trade sale has occurred, and subject to the law, at the election and upon written consent of the holders of at least 75% of the then outstanding Series B Shares (the "**Series B Redeeming Shareholders**" and together with the Series A Redeeming Shareholders, the "**Redeeming Shareholders**") the Company shall redeem up to all of the outstanding Series B Preferred Shares held by the Series B Redeeming Shareholders out of funds legally available therefor including capital, at a redemption price per share (the "**Series B Redemption Price**" and together with the Series A Redemption Price, the "**Redemption Price**") equal to one hundred fifty percent (150%) of the Series B Issue Price plus all declared but unpaid dividends thereon up to the date of the redemption, proportionally adjusted for share subdivisions, share dividends, reorganizations, reclassifications, consolidations, or mergers.

At any time commencing after 31 December 2021 for Series C preferred shares, provided that no qualified public offering or trade sale has occurred, and subject to the law, at the election and upon written consent of the holders of at least 75% of the then outstanding Series C Preferred Shares except those of Series C Preferred Shares held by Baopu International Limited (the "**Series C Redeeming Shareholders**" and together with the Series A Redeeming Shareholders and Series B Redeeming Shareholders, collectively defined as the "**Redeeming Shareholders**"), the Company shall redeem up to all of the outstanding Series C Preferred Shares held by the Series C Redeeming Shareholders out of funds legally available therefor including capital, at a redemption price per share (the "**Series C Redemption Price**" and together with the Series A Redemption Price and Series B Redemption Price, collectively defined as the "**Redemption Price**") equal to the Series C Issue Price bearing a simple interest of eight percent (8%) per annum calculating from the date when the purchase consideration of Series C Preferred Shares was paid to the Company to the date of such redemption takes place, and such redemption price per share shall be proportionally adjusted for share subdivisions, share dividends, reorganizations, reclassifications, consolidations, or mergers.

Pursuant to the Series C Preferred Shares subscription agreement dated June 28, 2019, the redemption start date of all Series A Preferred Shares and the Series B Preferred Shares has been changed to 31 December 2021. Therefore, the related financial liabilities were reclassified to non-current liabilities as at 31 December 2019.

(f) Co-sale right

If an investor or other holder of the Preferred Shares, other than holders of Series B Preferred Shares or ordinary shares receives a bona fide third party offer to purchase, sell or transfer any preferred shares or ordinary shares held by it, then the selling investor shall promptly give written notice to the Company and other shareholders prior to such sale or transfer. Each exercising shareholder shall have the right, exercisable upon written notice to the selling investor, the Company and each other exercising shareholder within twenty days after receipt of the investor transfer notice of its election to exercise its right of first refusal hereunder.

The Group has used the discounted cash flow method to determine the underlying share value of the Company and adopted binomial option-pricing method and equity allocation model to determine the fair value of the Preferred Shares as of the dates of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the fair value of Preferred Shares are as follows:

	Year ended 31 December		
	2017	2018	2019
Discount rate	20.40%	19.30%	18.80%
Risk-free interest rate	3.86%-3.87%	2.73%-2.90%	2.41%-2.74%
Discount for lack of marketability (" DLOM ")	15.00%	15.00%	10.00%
Volatility	<u>29.28%-29.55%</u>	<u>31.37%-31.63%</u>	<u>30.80-31.71%</u>

Discount rate was estimated by weighted average cost of capital as of each appraisal date. The Group estimated the risk-free interest rate based on the yield of China Government Bond Yield with a maturity life equal to period from the respective appraisal dates to expected liquidation date. Volatility was estimated at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry for a period from the respective appraisal dates to expected liquidation date.

Fair value of Preferred Shares is affected by changes in the Company's equity value. If the Company's equity value had decreased by 5% with all other variables held constant, the loss before income tax for the years ended 31 December 2017 and 2018 and the profit before income tax for the year ended 31 December 2019 would have been approximately RMB42,335,000 lower, RMB56,367,000 lower, and RMB66,302,000 higher respectively. If the Company's equity value had increased by 5% with all other variables held constant, the loss before income tax for the years ended 31 December 2017 and 2018 and the profit before income tax for the year ended 31 December 2019 would have been approximately RMB42,531,000 higher, RMB56,553,000 higher, and RMB66,392,000 lower, respectively.

31. DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follows:

(a) Deferred income tax assets

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Tax losses	9,600	34,658	7,319
Employee benefits payables	121	686	719
Others	547	481	466
Total deferred income tax	10,268	35,825	8,504

The movement on the deferred tax assets for the years is as follows:

	Tax losses	Employee benefits payables	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017	1,031	58	644	1,733
Credited/(charged) to consolidated statements of comprehensive income	8,569	63	(97)	8,535
As at 31 December 2017 . . .	<u>9,600</u>	<u>121</u>	<u>547</u>	<u>10,268</u>
Credited/(charged) to consolidated statements of comprehensive income	25,058	565	(66)	25,557
As at 31 December 2018 . . .	<u>34,658</u>	<u>686</u>	<u>481</u>	<u>35,825</u>
(Charged)/credited to consolidated statements of comprehensive income	(27,339)	33	(15)	(27,321)
As at 31 December 2019 . . .	<u>7,319</u>	<u>719</u>	<u>466</u>	<u>8,504</u>

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through the future taxable profit is probable. As at 31 December 2017, 2018, and 2019, deferred tax assets associated with tax losses of RMB49,000, RMB1,604,000 and RMB4,559,000 of Yeahka Technology limited (a Hong Kong subsidiary of the Group) had not been recognised, which can be carried forward against future taxable income with no expiry date. The remaining tax losses of certain PRC group entities that had not been recognized as deferred tax assets can be carried forward against future taxable income will expire in the following years:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
2017	–	–	–
2018	13,411	–	–
2019	10,394	428	–
2020	22,497	3,129	512
2021	33,283	8,475	1,559
2022	51,276	26,642	5,616
2023	–	94,954	54,232
2024	–	–	9,371
	<u>130,861</u>	<u>133,628</u>	<u>71,290</u>

(b) Deferred income tax liabilities

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Intangible assets	–	–	6,002

The movement on the deferred tax assets for the years/periods is as follows:

	Intangible assets
	RMB'000
As at 1 January 2017, 31 December 2017, 2018 and 1 January 2019	–
Deferred income tax liabilities relating to Tuo-zhan-bao acquisition	7,450
Credited to consolidated statement of comprehensive income	(1,448)
As at 31 December 2019	6,002

32. SHARE-BASED PAYMENTS

Under a stock incentive plan approved by the board of directors of the Company (the "Share Option Plan"), several batches of share options were granted to certain employees and directors in the years of 2013, 2016, 2017 and 2018, respectively.

In August 2019, the board of directors of the Company passed a resolution, according to which all outstanding options representing 8,527,346 shares of the Company granted under the Share Option Plan were converted into 8,527,346 shares of Restricted Share Units ("RSU") granted to the same option holders, who became eligible participants under the RSU scheme. There was no modification of terms or conditions which had increased the fair value of the equity instruments granted and such arrangement was accounted for as the continuance of the original Share Option Plan. The Company granted additional 881,000 RSUs to other participants in August, 2019.

Details are as follows:

Grant date (dd/mm/yyyy)	Number of share options/RSU	Vesting period	Exercise price (in USD)	Expiration terms
01/01/2013	1,378,674	1 year	0.0001	15 years from date of grant
01/02/2016	5,048,672	11 months	0.0001	Same as above
01/01/2017	1,280,000	1 year	0.0001	Same as above
01/01/2018	820,000	To be vested evenly within a 4-year period from vesting commencement	4.2401	Same as above
01/08/2019	881,000	To be vested evenly with in a 4-year period from vesting commence	6.4625	Same as above

The share-based compensation expenses recognized during the Track Record Period are summarized in the following table:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Employee share schemes			
– value of employee services	32,801	9,085	9,661

- (a) Movements in the number of share options/RSUs outstanding and their related exercise prices:

	Average exercise price (RMB)	Number of share options/RSUs
Outstanding balance as at 1 January 2017	–	6,427,346
Granted during the year	–	1,280,000
Outstanding balance as at 31 December 2017	–	7,707,346
Outstanding balance as at 1 January 2018	–	7,707,346
Granted during the year	27.71	820,000
Outstanding balance as at 31 December 2018	2.66	8,527,346
Outstanding balance as at 1 January 2019	2.66	8,527,346
Granted during the period	44.55	881,000
Outstanding balance as at 31 December 2019	6.59	9,408,346

As at 31 December 2017, 2018 and 2019, the exercisable number of equity instruments granted were 7,707,346, 8,527,346 and 9,408,346, respectively.

The fair value of equity instruments was RMB17.84, RMB18.37 and RMB19.61 per share, for grants made in 2017, 2018, and 2019, respectively.

Fair value

The Group had adopted the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation model to determine the fair value of the underlying ordinary shares.

Significant judgement on parameters, such as risk free rate, dividend yield and expected volatility, are required to be made by the directors in applying the binomial model, which are summarized as below.

The expected volatility, measured as the standard deviation of expected share price returns, is determined based on the average daily trading price volatility of the shares of the comparable companies.

	As at each grant day		
	2017	2018	2019
Risk-free interest rate	3.28%	4.02%	3.32%
Dividend yield	–	–	–
Expected volatility	38.02%	37.09%	36.19%

33. BUSINESS COMBINATIONS

(a) Acquisition of TuoZhanbao (the "Acquisition")

During 2019, in order to accelerate the momentum of customer base expansion and increase product and service offerings, the Company acquired TuoZhanbao, a company incorporated in the PRC, which is solely owned by Mr. Zhang Ju ("**Mr. Zhang**"). TuoZhanbao is mainly engaged in provision of marketing services relating to mobile payment products in the PRC.

In connection with the Acquisition, an offshore structure was set up by Mr. Zhang. Expanded Treasure was incorporated by Clear Joyous which was in turn wholly owned by Basic Sage Investments Limited ("**Basic Sage**"). Basic Sage was wholly owned by Mr. Zhang. Expanded Treasure controls TuoZhanbao through a series of contractual arrangements.

In June 2019, a share purchase agreement was entered into by the Company and Mr. Zhang, pursuant to which Basic Sage transferred the entire issued share capital of Clear Joyous to the Company in exchange for the allotment and issuance of 3,871,964 ordinary shares issued by the Company to Basic Sage.

Up to 25 June 2019, all above mentioned transactions had been completed, except for the allotment and issuance of the Company's ordinary shares. As the Company had obtained the entire issued share capital of Clear Joyous and started to control Clear Joyous through board of directors representation, and the fact that the Company has been entitled to all risks and rewards of TuoZhanbao, the directors of the Company assessed that the Acquisition was completed on 25 June 2019. The Company subsequently allotted and issued 3,871,964 ordinary shares to Basic Sage in July 2019.

Goodwill of approximately RMB145,840,000 had been recognized for the Acquisition, which represents the excess of the purchase consideration over the fair value of the net identifiable assets acquired. It is attributable to the acquired market share and economies of scale expected to be derived from combining the operations of TuoZhanbao with the operations of the Group. None of the goodwill recognized is expected to be deductible for income tax purposes.

The following table summarises the consideration to be paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date:

	RMB'000
Equity instruments issued (3,871,964 ordinary shares) (Note i)	236,660
Contingent consideration (Note ii)	(41,575)
Total consideration paid by the Company	195,085

The separately identifiable assets and liabilities recognised as a result of the Acquisition are as follows:

	Fair value
	RMB'000
Cash and cash equivalents	4,968
Trade receivables	42,272
Prepayments and other receivables	18,004
Plant and equipment	154
Intangible assets – customer relationship	29,800
Trade and other payables	(38,503)
Deferred tax liabilities	(7,450)
Total identifiable net assets	49,245
Goodwill	145,840

(i) The fair value of 3,871,964 ordinary shares (“**Consideration Shares**”) issued by the Company was RMB236,660,000, which was determined based on the per share fair value of each ordinary share of the Company as at the acquisition date, using the discounted cashflow method.

(ii) As set out in the share purchase agreement, the Company shall be entitled to require Basic Sage to transfer certain number of Consideration Shares of the Company at zero consideration to an entity designated by the Company if the audited consolidated net profit after tax of Clear Joyous during the period from 1 June 2019 to 31 May 2022 does not exceed RMB400,000,000 in aggregate. The fair value of such contingent asset has been accounted for as a financial asset at fair value through profit or loss. The fair value of the contingent consideration was determined based on a valuation performed by an independent valuer applying probability weighted scenario analysis. If the estimated probability of achieving net profit target of Tuozhanbao had been 5% higher/lower, the fair value of the financial assets at FVPL as at 31 December 2019 would have been approximately 8% lower/higher.

(iii) Analysis of cash flows in respect of the acquisition of Tuozhanbao is as follows:

	RMB'000
Cash consideration	–
Cash and cash equivalents acquired	4,968
Net inflow of cash and cash equivalents included in cash flows from investing activities	4,968

(iv) Revenue and profit contribution

Had Tuozhanbao been consolidated from 1 January 2019, consolidated revenue and consolidated net profit of the Group for the year ended 31 December 2019 would have been RMB2,412,327,000 and RMB84,530,000, respectively.

34. NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash (used in)/generated from operations

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
(Loss)/profit before income tax	(332,677)	(187,961)	151,039
Adjustments for:			
Depreciation of property, plant and equipment ...	7,583	11,891	12,232
Amortization of intangible assets	63	287	6,305
Amortization of non-current assets	4,358	28,894	57,459
Loss on disposal of property, plant and equipment	–	295	6
Impairment of other receivables	356	1,472	27,411
Equity-settled share based payments	32,801	9,085	9,661
Impairment and share of (profits)/losses of associates	(35)	3,943	17,934
Net gains on deemed disposal of an associate	–	–	(2,217)
Fair value losses on convertible redeemable preferred shares	275,712	213,216	181,521
Fair Value losses on contingent consideration	–	–	529
Gain on investments in wealth management products	(372)	–	(966)
Finance costs	5,950	3,963	5,615
Changes in working capital:			
Increase in prepayments and other receivables ...	(172,906)	(463,252)	(301,195)
Decrease/(increase) in restricted cash	6,372	(86,779)	(20,739)
Increase/(decrease) in trade and other payables ..	159,357	804,217	(19,397)
Increase/(decrease) in contract liabilities	7,016	62,129	(46,268)
Cash (used in)/generated from operations	(6,422)	401,400	78,930

(b) Non-cash investing and financing activities

Except for the equity instruments issued and contingent consideration obtained as a result of TuoZhanbao acquisition as disclosed in Note 33(a), there is no other material non-cash investing or financing activities incurred during the Track Record Period.

(c) Reconciliation of liabilities arising from financing activities

This section sets out an analysis of net cash and the movements in net cash for each of the years/periods presented.

Net cash

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	480,521	479,839	441,315
Borrowings	(275,708)	(45,100)	(136,500)
Payables to creditors	–	–	(38,738)
Lease liabilities	(6,172)	(19,413)	(27,780)
Net cash	198,641	415,326	238,297

	Other assets	Liabilities from financing activities			Total
	Cash and cash equivalents	Lease liabilities	Borrowings	Other payable	
	RMB'000	RMB'000	RMB'000	RMB'000	
Net cash as at 1 January 2017	256,372	(5,343)	(129,503)	–	121,526
Cash flows	227,099	5,380	(146,205)	–	86,274
Other non-cash movements	(2,950)	(6,209)	–	–	(9,159)
Net debt as at 31 December 2017 ..	480,521	(6,172)	(275,708)	–	198,641
Net cash as at 1 January 2018	480,521	(6,172)	(275,708)	–	198,641
Cash flows	(2,845)	9,223	230,608	–	236,986
Other non-cash movements	2,163	(22,464)	–	–	(20,301)
Net cash as at 31 December 2018 ..	479,839	(19,413)	(45,100)	–	415,326
Net cash as at 1 January 2019	479,839	(19,413)	(45,100)	–	415,326
Cash flows	(39,459)	8,183	(91,400)	(37,500)	(160,176)
Other non-cash movements	935	(16,550)	–	(1,238)	(16,853)
Net cash as at 31 December 2019 ..	441,315	(27,780)	(136,500)	(38,738)	238,297

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

<u>Name of the related parties</u>	<u>Nature of relationship</u>
Xun Xiang	Associate of the Group
Chao Meng	Associate of the Group
Creative Meadow Limited	Company owned by Mrs. Liu
RYK Capital Partners Limited	Associate of the Group
Fushi Technology (Shenzhen) Co., Ltd.....	Associate of the Group

* The English names of companies established in the PRC are translation of their Chinese names at the best effort of the directors of the Company as they do not have official English names.

(a) Key management personnel compensation

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	4,164	5,518	6,722
Welfare, medical and other expenses .	88	120	127
Defined contribution plan	85	122	159
Employee share schemes			
– value of employee services	15,376	6,055	3,081
	19,713	11,815	10,089

(b) Continuing transaction with related parties

(i) Marketing service income

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Chao Meng	–	56	3,774

(ii) Commissions to distribution channels

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Chao Meng	–	17,032	138,933
Xun Xiang	63	324	623
Fushi Technology (Shenzhen) Co., Ltd.	–	–	450
	63	17,356	140,006

(c) Balances with related parties

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Prepayments to related parties – non-trade			
Fushi Technology (Shenzhen) Co., Ltd	–	–	10,000
Receivables from related parties – non-trade			
– Other receivables			
Creative Meadow Limited	5,507	2,586	–
Chao Meng	–	–	30,000
RYK Capital Partners Limited	–	–	810
	5,507	2,586	30,810
Less: allowance for amount due from Chao Meng	–	–	(9,504)
	5,507	2,586	21,306
Payables to related parties			
– Trade payables			
Chao Meng	–	643	–
– Other payables – non-trade			
Xun Xiang	2,871	299	–
Chao Meng	–	–	480
	2,871	299	480

All the balances with related parties above were unsecured, interest free and repayable on demand.

The non-trade balances due from RYK Capital Partners Limited and due to Chao Meng had been subsequently settled.

The non-trade balance due from Chao Meng of RMB30,000,000 is not expected to be fully settled prior to the Listing. The subsequent settlement of the receivable balance up to 31 March 2020 was approximately RMB1,500,000. According to the request lodged by the Group with Chao Meng, it has to repay the Group at a monthly variable amount, and the whole outstanding balance has to be settled by the end of 2020. Management of the Company would periodically assess the repayment status and financial position of Chao Meng, and revisit the repayment plan and the adequacy of the impairment provision set up against the carrying amount of the balance.

As mentioned in Note 21 (b)(iv), an impairment provision of RMB9,504,000 was made against the carrying amount of this non-trade balance as at 31 December 2019 based on the assessment of the expected cashflows to be generated by Chao Meng in its future operations; and the amounts that Chao Meng would repay to the Group.

As described in Note 21(a)(ii), the non-trade prepayments made to Fushi Technology (Shenzhen) Co., Ltd (“**Fushi**”) will be transferred to equity investment balance of the Group, upon the Group and RYK Capital Partners Limited make their respective capital contributions into Fushi, which was completed in April, 2020.

36. BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of each director of the Company paid/payable by the Group for the years ended 31 December 2017, 2018, and 2019, are set out as follows:

Year ended 31 December 2017:

Name	Director's	Salaries	Employee	Social	Total
	fee		share		
	RMB'000	RMB'000	– value of	housing fund	RMB'000
			employee		
			services		
Executive Directors:					
Mr. Liu Yingqi	–	525	–	25	550
Ms. Zhou Lingli	–	1,520	–	25	1,545
Mr. Yao Zhijian	–	1,125	–	25	1,150
Non-Executive Directors:					
Mr. Mathias Nicolaus Schilling	–	–	–	–	–
Mr. Hirofumi Ono	–	–	–	–	–
Independent Non-Executive					
Directors:					
Mr. Tam Bing Chung Benson	–	–	–	–	–
Mr. Yao Wei	–	–	–	–	–
Mr. Yang Tao	–	–	–	–	–
	–	3,170	–	75	3,245

Year ended 31 December 2018:

Name	Director's	Salaries	Employee	Social	Total
	fee		share	security and	
	RMB'000	RMB'000	schemes	housing fund	RMB'000
			– value of		
			employee		
			services		
Executive Directors:					
Mr. Liu Yingqi	–	1,546	–	27	1,573
Ms. Zhou Lingli	–	1,572	–	27	1,599
Mr. Yao Zhijian	–	600	–	27	627
Non-Executive Directors:					
Mr. Mathias Nicolaus Schilling	–	–	–	–	–
Mr. Hirofumi Ono	–	–	–	–	–
Independent Non-Executive					
Directors:					
Mr. Tam Bing Chung Benson	–	–	–	–	–
Mr. Yao Wei	–	–	–	–	–
Mr. Yang Tao	–	–	–	–	–
	–	3,718	–	81	3,799

Year ended 31 December 2019:

Name	Director's	Salaries	Employee	Social	Total
	fee		share	security and	
	RMB'000	RMB'000	schemes	housing fund	RMB'000
			– value of		
			employee		
			services		
Executive Directors:					
Mr. Liu Yingqi	–	1,605	–	55	1,660
Ms. Zhou Lingli	–	1,780	–	30	1,810
Mr. Yao Zhijian	–	1,234	–	43	1,277
Non-Executive Directors:					
Mr. Mathias Nicolaus Schilling	–	–	–	–	–
Mr. Hirofumi Ono	–	–	–	–	–
Independent Non-Executive					
Directors					
Mr. Tam Bing Chung Benson	–	–	–	–	–
Mr. Yao Wei	–	–	–	–	–
Mr. Yang Tao	–	–	–	–	–
	–	4,619	–	128	4,747

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2017, 2018, and 2019.

No retirement or termination benefits have been paid to the Company's directors for the years ended 31 December 2017, 2018, and 2019.

Saved as disclosed in Note 29, there were no loans, quasi-loans or other dealings entered into by the Company in favor of directors, controlled body corporates by and connected entities with such directors for the years ended 31 December 2017, 2018, and 2019, respectively.

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended 31 December 2017, 2018, and 2019.

No consideration was provided to third parties for making available directors' services during the years ended 31 December 2017, 2018, and 2019.

37. NOTES TO THE COMPANY BALANCE SHEET

(a) Investments in subsidiaries

The subsidiaries of the the Company as at 31 December 2017, 2018, and 2019 are disclosed in Note 1.2.

(b) Prepayments and other receivables

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Amounts due from a related party	41,497	42,647	48,585
Prepayments	–	352	8,010
Others	101,132	100,352	99,540
	142,629	143,351	156,135

(c) Cash and cash equivalents

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cash at bank	47,853	44,191	54,770

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
USD	47,853	44,189	33,003
HKD	–	2	21,767
	47,853	44,191	54,770

(d) Financial liabilities at FVPL

The movements of the convertible redeemable preferred shares are set out below:

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Opening balance	526,660	750,574	964,071
Subscribed for Series C Preferred Shares ⁽ⁱ⁾	–	–	170,477
Issuance for Series C Preferred Shares ⁽ⁱⁱ⁾	–	–	43,891
Changes in fair value	263,183	169,636	173,797
Currency translation differences	(39,269)	43,861	21,211
Closing balance	<u>750,574</u>	<u>964,071</u>	<u>1,373,447</u>

(i) As part of group reorganization, two of the domestic Series C Preferred Shares investors withdrew their investment in Shenzhen Yeahka and subscribed for Series C Preferred Shares in the Company with total amount of RMB170,477,000 through their offshore affiliated entities.

(ii) As mentioned in Note 30, the Company issued 941,981 Series C Preferred Shares at a total consideration of RMB43,891,000 in July 2019.

(e) Other reserves

	Other reserves			
	Other reserves	Currency translation differences	Share-based compensation reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017	–	(34,969)	104,716	69,747
Currency translation difference	–	33,070	–	33,070
Employee share schemes – value of employee services	–	–	32,801	32,801
As at 31 December 2017	<u>–</u>	<u>(1,899)</u>	<u>137,517</u>	<u>135,618</u>
As at 1 January 2018	–	(1,899)	137,517	135,618
Currency translation difference	–	(39,368)	–	(39,368)
Employee share schemes – value of employee services	–	–	9,085	9,085
As at 31 December 2018	<u>–</u>	<u>(41,267)</u>	<u>146,602</u>	<u>105,335</u>
As at 1 January 2019	–	(41,267)	146,602	105,335
Currency translation difference	–	(19,826)	–	(19,826)
Business combination	236,657	–	–	236,657
Employee share schemes – value of employee services	–	–	9,661	9,661
As at 31 December 2019	<u>236,657</u>	<u>(61,093)</u>	<u>156,263</u>	<u>331,827</u>

38. CONTINGENCIES

Saves as disclosed elsewhere in the financial statements, the Group had no material contingent liabilities outstanding as at 31 December 2017, 2018, and 2019.

39. EVENTS AFTER BALANCE SHEET DATE

While the impact of the outbreak of the COVID-19 on China's economy for the whole of 2020 is still uncertain, it will unfavorably affect China's economy in the short term. The COVID-19 has caused an unfavorable impact on China's retail consumption market, which leads to a decrease in demand for the Group's payment and business services. Accordingly, the Group had recorded a decrease in its business volume for the three months ended March 31, 2020, as compared to that for the same period in 2019. In addition, there might also be impact on the recoverable amounts of current and long term assets of the Group if the outbreak continues to sustain for a long period.

The Group has been adopting precautionary and control measures to mitigate the impact of the COVID-19 to the Group's operations, including but not limited to flexible work-from-home practices and procurement of supplies for epidemic prevention and control.

The Group will pay close attention to the development of the outbreak and react actively to its impact on the operations and financial position of the Group.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2019 and up to the date of this report.

No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2019.

The following information does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the Company's reporting accountant, as set out in Appendix I, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the Accountant's Report set out in Appendix I.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to the shareholders as of 31 December 2019 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as of 31 December 2019 or at any future dates.

	Unadjusted audited consolidated net tangible liabilities of the Group attributable to the Owners of the Company as of 31 December 2019 ⁽¹⁾		Estimated impact related to the change of terms of convertible redeemable preferred shares upon Listing ⁽³⁾	Unaudited pro forma adjusted net tangible assets of the Group attributable to the Owners of the Company		Unaudited pro forma adjusted net tangible assets per Share ⁽⁴⁾⁽⁵⁾	
	RMB'000	Estimated net proceeds from the Global Offering ⁽²⁾ RMB'000		RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$12.64 per Share .	(726,172)	1,072,933	1,373,447	1,720,208	4.57	4.99	
Based on an Offer Price of HK\$16.64 per Share.	(726,172)	1,423,390	1,373,447	2,070,665	5.50	6.01	

Notes:

- (1) The unadjusted audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as of 31 December 2019 is extracted from the Accountant's Report as set out in Appendix I, which is based on the audited consolidated net liabilities of the Group attributable to the owners of the Company as of 31 December 2019 of approximately RMB555,496,000 with an adjustment for the intangible assets as of 31 December 2019 of approximately RMB170,676,000.
- (2) The estimated net proceeds to be received by the Company from the Global Offering are based on the indicative Offer Price of HK\$12.64 and HK\$16.64 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company (excluding approximately RMB25,171,000 listing expenses which have been charged to our consolidated income statements up to 31 December 2019), and does not take into account any shares which may be sold pursuant to the exercise of the Over-allotment Option or upon the exercise of the RSUs granted under the RSU Scheme or any Shares that may be issued or repurchased by the Company under the general mandates granted to our Directors.
- (3) Upon the Listing and the completion of the Global Offering, all the Preferred Shares will be automatically converted into ordinary shares. These Preferred Shares will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to the owners of the Company will be increased by RMB1,373,447,000, being the carrying amounts of the Preferred Shares as of 31 December 2019.
- (4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 376,349,720 Shares were in issue (excluding the 38,452,952 Shares held by RSU Nominees) assuming that the Global Offering has been completed on 31 December 2019 but does not take into account any shares which may be sold pursuant to the exercise of the Over-allotment Option or upon the exercise of the RSUs granted under the RSU Scheme or any Shares that may be issued or repurchased by the Company under the general mandates granted to our Directors.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of HK\$1.00 to RMB0.9150. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2019.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of YEAHKA LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of YEAHKA LIMITED (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2019, and related notes (the "Unaudited Pro Forma Financial Information") as set out on page II-1 of the Company's prospectus dated 20 May 2020, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on page II-1.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 December 2019 as if the proposed initial public offering had taken place at 31 December 2019. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the year ended 31 December 2019, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 December 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20 May 2020

This Appendix contains a summary of the Memorandum and Articles of Association of our Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V, a copy of the Memorandum and Articles of Association is available for inspection.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on April 30, 2020 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed "Documents available for inspection".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on April 30, 2020 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US\$25,000 divided into 1,000,000,000 shares of US\$0.000025 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do

so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 *Voting rights*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company

provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

2.10 Auditors

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date. Where a general meeting is so postponed, the

Company shall endeavour to cause a notice of such postponement to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, but failure to place or publish such notice shall not affect the automatic postponement of such meeting.

Where a general meeting is postponed:

- (a) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and
- (b) notice of the business to be transacted at the reconvened meeting shall not be required, nor shall any accompanying documents be required to be recirculated, provided that the business to be transacted at the reconvened meeting is the same as that set out in the notice of the original meeting circulated to the members of the Company.

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and

- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.14 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.16 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.18 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.19 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**1 Introduction**

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 September 2011 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of

merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands under Cayman Companies Law as an exempted company with limited liability on September 8, 2011. We have established a principal place of business in Hong Kong at 40/F., Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on September 4, 2019. Our Company adopted the Chinese name of “移卡有限公司” as our dual foreign name in the Cayman Islands on October 29, 2019 and registered the change in Hong Kong on November 26, 2019. Ms. Mak Po Man Cherie has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and Memorandum and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association is set out in “Summary of the Constitution of Our Company and Cayman Companies Law” in Appendix III.

2. Changes in the Share Capital of Our Company

As of the date of incorporation of our Company, our Company had an authorized share capital of US\$50,000.00, divided into 50,000 shares of US\$1.00 each.

The following changes in the share capital of our Company have taken place within the two years immediately preceding the date of this prospectus:

- On July 22, 2019, our Company repurchased 1,426,855 ordinary Shares from Creative Brocade and 1,502,954 ordinary shares from Smallbox for a consideration of US\$142.6855 and US\$150.2954, respectively, which were determined based on the par value of such shares;
- On July 22, 2019, our Company issued and allotted 1,664,664 and 951,237 Series-C Preferred Shares to JX SPV and LT SPV, respectively, for a consideration of US\$166.4664 and US\$95.1237, respectively, which were determined based on the par value of such shares;
- As part of the second round Series-C Investment, (i) on July 22, 2019, our Company issued and allotted 165,836; 74,637; 60,118; 75,148 and 566,242 Series-C Preferred Shares to Greycroft Growth, L.P., e.ventures Growth, L.P., Adams Street Funds, IVP Annex I LLC and Baopu, respectively and (ii) JX SPV transferred 86,000 and 1,578,664 Series-C Preferred Shares to TheOne and Recruit Holdings, respectively. For further details relevant to the second round Series-C Investment, see “History, Reorganization and Corporate Structure — Pre-IPO Investments — Series-C Investment — Second Round Series-C Investment”;
- On July 22, 2019, an aggregate of 375,739 Series-A Preferred Shares was transferred to IVP Annex I LLC by IVP Fund II A, L.P. and IVP Fund II B, L.P.;

- On August 1, 2019, all options representing 8,527,346 shares granted under the Pre-IPO Stock Incentive Scheme were canceled and replaced with RSUs granted to the same eligible participants under the RSU Scheme, and the grant of the RSUs representing an aggregate of 881,000 shares to the eligible participants under the RSU Scheme;
- On November 8, 2019, our Company issued and allotted 3,375,242 and 6,237,996 shares to RSU Nominee 1 and RSU Nominee 2 at par, respectively, representing the underlying shares of the RSUs granted to qualified persons pursuant to the RSU Scheme;
- On January 15, 2020, Creative Brocade transferred 41,427,691 ordinary shares in our Company to Creative Brocade International; and
- On April 30, 2020, our Company resolved, among other things, that immediately after the Underwriting Agreements becoming unconditional and in any event before the Listing, the authorized share capital of our Company be increased from US\$10,717.9644 divided into 428,718,576 shares of a par value of US\$0.000025 each to US\$25,000 divided into 1,000,000,000 ordinary shares each of a par value of US\$0.000025 each by the creation of an additional 571,281,424 ordinary shares with a par value of US\$0.000025 each to rank *pari passu* in all respects with the existing shares.

Immediately following the completion of the Preferred Shares Conversion, the Share Subdivision and the Global Offering but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and Shares which may be issued under the RSU Scheme, the issued share capital of our Company will be US\$10,370.0668, divided into 414,802,672 Shares of US\$0.000025 each, all fully paid or credited as fully paid and 13,915,904 Shares of US\$0.000025 each will remain unissued.

Save as disclosed above and in this prospectus, there has been no alteration in the share capital of our Company since our incorporation.

3. Resolutions in Writing of the Shareholders of Our Company Passed on April 30, 2020

Pursuant to the written resolutions passed by the Shareholders on April 30, 2020:

- (a) immediately after the Underwriting Agreements becoming unconditional and in any event before the Listing:
 - (i) the 9,623,297 Series-A Preferred Shares, 7,664,914 Series-B Preferred Shares and 3,557,882 Series-C Preferred Shares of a nominal or par value of US\$0.0001 each in our Company be converted into ordinary shares with a par value of US\$0.0001 in the capital of our Company on a one to one basis, such that after the Preferred Shares Conversion, the issued share capital of our Company shall be 79,019,668 shares of US\$0.0001 each;
 - (ii) upon completion of the Preferred Shares Conversion, our Directors be authorized to subdivide each of our issued and unissued shares of par value US\$0.0001 each into four Shares of par value US\$0.000025 each, such that following the Share Subdivision, the authorized share capital of the Company shall be US\$10,717.9644 divided into 428,718,576 Shares of par value US\$0.000025 each; and
 - (iii) the authorized share capital of our Company be increased from US\$10,717.9644 divided into 428,718,576 shares of a par value of US\$0.000025 each to US\$25,000 divided into 1,000,000,000 ordinary shares each of a par value of US\$0.000025 each by the creation of an additional 571,281,424 ordinary shares with a par value of US\$0.000025 each to rank *pari passu* in all respects with the existing shares;

- (b) conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and such grant and permission not having been subsequently revoked prior to the commencement of dealings in the Shares on the Stock Exchange, (2) the Offer Price being fixed on the Price Determination Date and (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein (unless and to the extent such conditions are validly waived on or before such dates and times as specified in the Underwriting Agreements) or otherwise:
- (i) the Global Offering was approved and our Directors were authorized to allot and issue the new Shares pursuant to the Global Offering;
 - (ii) the granting of the Over-allotment Option was approved;
 - (iii) the proposed Listing was approved and our Directors were authorized to implement the Listing;
 - (iv) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options (including but not limited to warrants, bonds, debentures, notes and other securities convertible into Shares) which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed conditionally or unconditionally to be allotted by our Directors other than pursuant to (a) a rights issue, (b) any scrip dividend scheme or similar arrangement providing for the allotment and issuance of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, (c) the Shares underlying the RSUs which may fall to be issued pursuant to the RSU Scheme or, (d) the exercise of any subscription or conversion rights attaching to any warrants or securities which are convertible into Shares or in issue prior to the date of passing the relevant resolution or (e) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of (1) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Share Subdivision and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued under the RSU Scheme) and (2) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (v) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting or the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "**Applicable Period**");
 - (v) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose Shares with a total nominal value of not

more than 10% of the total nominal value of the share capital of our Company in issue immediately following completion of the Share Subdivision and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued under the RSU Scheme), such mandate to remain in effect during the Applicable Period;

- (vi) the general unconditional mandate mentioned in paragraph (iv) above be extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of our Company's share capital in issue immediately following completion of the Share Subdivision and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued under the RSU Scheme); and
- (vii) our Company approved and adopted the Memorandum and Articles of Association subject to the Share Subdivision and the increase of authorized share capital as referred to in paragraphs (a)(i) and (a)(iii) above, respectively, having been effected.

4. Our Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the Listing. Please see "History, Reorganization and Corporate Structure" for further details.

5. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are referred to in the Accountant's Report, the text of which is set out in Appendix I. Save for the subsidiaries mentioned in the Accountant's Report, we do not have any other subsidiaries.

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

Hangzhou Qingni

On October 30, 2018, Hangzhou Qingni was established under the laws of the PRC with a registered capital of RMB5 million, which remains unpaid up to the date of this prospectus.

Feiquan Factoring

On February 19, 2019, the registered capital of Feiquan Factoring was increased from RMB30 million to RMB60 million. RMB60.0 million of the registered capital of Feiquan Factoring was paid by cash up to the date of this prospectus.

Shenzhen Yeahka

On July 2, 2019, the registered capital of Shenzhen Yeahka was decreased from RMB19,574,867 to RMB14,263,828, which was fully paid up by cash.

On October 29, 2019, the registered capital of Shenzhen Yeahka was increased from RMB14,236,828 to RMB200,000,000, which was fully paid up by cash.

Leshou Cloud

On July 16, 2019, the registered capital of Leshou Cloud was increased from RMB5.4 million to RMB15.4 million, which was fully paid up by cash.

Guangzhou Feiquan

On July 30, 2019, Guangzhou Feiquan was established under the laws of the PRC with a registered capital of RMB200 million, which was fully paid up by cash.

Letuobao

On August 1, 2019, Letuobao was established under the laws of the PRC with a registered capital of US\$2 million, which remains unpaid up to the date of this prospectus.

Yeahka WFOE

On November 27, 2019, the registered capital of Yeahka WFOE was increased from USD5.5 million to USD10.0 million, which was fully paid up by cash.

Save as disclosed above, there have been no alterations in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchases of Our Own Securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on April 30, 2020, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Share Subdivision and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued under the RSU Scheme), such mandate

to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the Cayman Companies Law or by our Articles of Association or any other applicable laws of the Cayman Islands to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Source of Funds

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Companies Law. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(vi) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core "**connected person**", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a core connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for Repurchases

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on the market conditions, funding arrangement and other circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining. Repurchase of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of Repurchases

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles of Association of our Company and the Listing Rules and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the general mandate to such extent as would, in

the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 414,802,672 Shares in issue immediately following the completion of the Share Subdivision and the Global Offering and assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the RSU Scheme, could accordingly result in up to approximately 41,480,267 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (iii) the date when the Repurchase Mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the Hong Kong Underwriting Agreement;
- (b) the Deed of Indemnity;
- (c) the exclusive business cooperation agreement dated October 29, 2019 entered into between Yeahka WFOE and Shenzhen Yeahka, pursuant to which Yeahka WFOE agreed to be engaged as the exclusive provider to Shenzhen Yeahka for technical support, consultation services and other services at a fee approximately equivalent to 100% of the total amount of consolidated profits of Shenzhen Yeahka in any financial year less (i) accumulated loss (if any) of Shenzhen Yeahka and its subsidiaries from the preceding financial years and (ii) working capital, expenses, taxation and other statutory contributions required for that financial year;
- (d) the exclusive option agreement dated October 29, 2019 entered into among Liu Yingqi, Qin Baoan, Shenzhen Tencent and Penguin Financial (collectively the “**Registered Shareholders**”), Yeahka WFOE and Shenzhen Yeahka, pursuant to which the Registered Shareholders irrevocably agreed to grant Yeahka WFOE an exclusive right to acquire from the Registered Shareholders all or part of their equity interest then held in Shenzhen Yeahka at the higher of (i) an aggregate price of RMB200 million or (ii) the lowest price permissible under PRC laws;
- (e) the equity pledge agreement dated October 29, 2019 entered into among Yeahka WFOE, Liu Yingqi and Shenzhen Yeahka, pursuant to which Liu Yingqi agreed to pledge all his equity interests in Shenzhen Yeahka to Yeahka WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts;
- (f) the equity pledge agreement dated October 29, 2019 entered into among Yeahka WFOE, Qin Baoan and Shenzhen Yeahka, pursuant to which Qin Baoan agreed to pledge all his equity interests in Shenzhen Yeahka to Yeahka WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts;
- (g) the equity pledge agreement dated October 29, 2019 entered into among Yeahka WFOE, Shenzhen Tencent and Shenzhen Yeahka, pursuant to which Shenzhen Tencent agreed to pledge all its equity interests in Shenzhen Yeahka to Yeahka WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts;

- (h) the equity pledge agreement dated October 29, 2019 entered into among Yeahka WFOE, Penguin Financial and Shenzhen Yeahka, pursuant to which Penguin Financial agreed to pledge all its equity interests in Shenzhen Yeahka to Yeahka WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts;
- (i) the loan agreement dated October 29, 2019 entered into among Yeahka WFOE, Liu Yingqi and Qin Baoan, pursuant to which Yeahka WFOE agreed to provide in aggregate an RMB200 million interest-free loan to Liu Yingqi and Qin Baoan for the agreed purpose;
- (j) the series C preferred share subscription agreement dated June 28, 2019 entered into among our Company, Yeahka HK, Shenzhen Yeahka, Leshua Technology, Qianhai Saosao, Yeahka WFOE, Creative Brocade, Smallbox, Liu Yingqi, Qin Bao'an, Infield badge holdings Ltd, Longwood Capital Investment Limited, Greycroft Growth, L.P., e.ventures Growth, LP, Adams Street 2011 Direct Fund LP, Adams Street 2012 Direct Fund LP, Adams Street 2013 Direct Fund LP, Adams Street 2014 Direct Fund LP, IVP Annex I LLC and Baopu International Limited, pursuant to which (i) Infield badge holdings Ltd, Longwood Capital Investment Limited, Greycroft Growth, L.P., e.ventures Growth, LP, Adams Street 2011 Direct Fund LP, Adams Street 2012 Direct Fund LP, Adams Street 2013 Direct Fund LP, Adams Street 2014 Direct Fund LP, IVP Annex I LLC and Baopu International Limited agreed to subscribe for 1,664,664, 951,237, 165,836, 74,637, 15,544, 16,003, 12,105, 16,466, 75,148 and 566,242 Series-C Preferred Shares for a consideration of US\$166.4664, US\$95.1237, US\$ equivalent of RMB7,723,800, US\$ equivalent of RMB3,476,200, US\$ equivalent of RMB723,972, US\$ equivalent of RMB745,340, US\$ equivalent of RMB563,810, US\$ equivalent of RMB766,878, US\$ equivalent of RMB3,500,000 and US\$ equivalent of HK\$30,000,000, respectively; and (ii) the Company agreed to repurchase from Creative Brocade and Smallbox 1,426,855 and 1,502,954 ordinary shares of par value US\$0.0001 each of the Company for a consideration of US\$142.6855 and US\$150.2954, respectively;
- (k) the third amended and restated shareholders' agreement dated June 28, 2019 entered into among our Company, Yeahka HK, Shenzhen Yeahka, Yeahka WFOE, Qianhai Saosao, Leshua Technology, Creative Brocade, Smallbox, Liu Yingqi, Qin Bao'an, IVP Fund II A, L.P., IVP Fund II B, L.P., IVP Annex I LLC, THL U Limited, Greycroft Growth, L.P., e.ventures Growth, LP, Recruit Holdings Co., Ltd., Adams Street 2011 Direct Fund LP, Adams Street 2012 Direct Fund LP, Adams Street 2013 Direct Fund LP, Adams Street 2014 Direct Fund LP, Industry Ventures Partnership Holdings III, L.P., Longwood Capital Investment Limited, Baopu International Limited and Chendifeng Holdings Limited in relation to certain special rights granted to certain shareholders of our Company;
- (l) the exclusive business cooperation agreement dated June 25, 2019 entered into between Expanded Treasure and Tuo-zhanbao Finance, pursuant to which Expanded Treasure agreed to be engaged as the exclusive provider to Tuo-zhanbao Finance for technical support, consultation services and other services at a fee approximately equivalent to 100% of the total amount of consolidated profits of Tuo-zhanbao Finance in any financial year less (i) accumulated loss (if any) of Tuo-zhanbao Finance and its subsidiaries from the preceding financial years and (ii) working capital, expenses, taxation and other statutory contributions required for that financial year;











- (m) the exclusive option agreement dated June 25, 2019 entered into among Expanded Treasure, Zhang Ju and Tuo-zhanbao Finance, pursuant to which Zhang Ju irrevocably agreed to grant Expanded Treasure an exclusive right to acquire from Zhang Ju all or part of his equity interest then held in Tuo-zhanbao Finance at the higher of (i) an aggregate price of RMB 30 million or (ii) the lowest price permissible under PRC laws;
- (n) the equity pledge agreement dated June 25, 2019 entered into among Expanded Treasure, Zhang Ju and Tuo-zhanbao Finance, pursuant to which Zhang Ju agreed to pledge all his equity interests in Tuo-zhanbao Finance to Expanded Treasure as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts;
- (o) the share transfer agreement dated June 13, 2019 entered into between Shenzhen Chuangjin and Shenzhen Yeahka, pursuant to which Shenzhen Chuangjin transferred all its equity interests in Shenzhen Feiquan Financial Services Company Limited (深圳市飛泉金融服務有限公司) to Shenzhen Yeahka at a consideration of RMB2 million;
- (p) the share transfer agreement dated August 5, 2019 entered into between Shenzhen Yeahka and Li Jinzhao, pursuant to which Shenzhen Yeahka transferred its 5% equity interests in Qianhai Saosao to Li Jinzhao at a consideration of RMB275,000;
- (q) the share transfer agreement dated October 28, 2019 entered into among Shenzhen Yeahka, Li Jinzhao and Yeahka WFOE, pursuant to which Shenzhen Yeahka and Li Jinzhao transferred their respective 95% and 5% equity interests in Qianhai Saosao to Yeahka WFOE at a consideration of RMB5.225 million and RMB275,000, respectively;
- (r) the termination agreement in relation to current control documents dated August 31, 2019 entered into among Expanded Treasure, Tuo-zhanbao Finance and Zhang Ju, pursuant to which the contractual arrangements in relation to the control of Tuo-zhanbao Finance was terminated; and
- (s) the cornerstone investment agreement dated May 18, 2020 entered into among our Company, Recruit Holdings Co., Ltd., CLSA Capital Markets Limited, Nomura International (Hong Kong) Limited, ABCI Capital Limited and CLSA Limited, pursuant to which Recruit Holdings Co., Ltd. agreed to, subject to certain conditions, subscribe at the Offer Price for the number of Offer Shares that may be purchased with an amount of HK\$ equivalent of US\$50.0 million, provided that the number of Offer Shares that may be purchased is subject to adjustment to ensure that the aggregate holding (direct or indirect) of Recruit Holdings Co., Ltd. and its associates in the total issued share capital of our Company upon Listing shall not reach 10% (or such other percentage as provided in the Listing Rules from time to time for the definition of substantial shareholder).

2. Our Material Intellectual Property Rights

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.



(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
1 . . .	乐刷智掌柜	42	Shenzhen Yeahka	PRC	23647101	April 7, 2018	April 6, 2028
2 . . .	移卡智掌柜	42	Shenzhen Yeahka	PRC	23647047	April 7, 2018	April 6, 2028
3 . . .	乐刷智掌柜	9	Shenzhen Yeahka	PRC	23646834	April 7, 2018	April 6, 2028
4 . . .	移卡智掌柜	9	Shenzhen Yeahka	PRC	23645879	April 7, 2018	April 6, 2028
5 . . .		36	Shenzhen Yeahka	PRC	19353733	April 28, 2017	April 27, 2027
6 . . .		36	Shenzhen Yeahka	PRC	19353717	April 28, 2017	April 27, 2027
7 . . .		9	Shenzhen Yeahka	PRC	19353538	April 28, 2017	April 27, 2027
8 . . .		9	Shenzhen Yeahka	PRC	19353494	July 14, 2017	July 13, 2027
9 . . .	乐刷贷	36	Shenzhen Yeahka	PRC	14072370	April 21, 2015	April 20, 2025
10 . .	乐刷贷	9	Shenzhen Yeahka	PRC	14072298	April 21, 2015	April 20, 2025
11 . .	商惠宝	9	Shenzhen Yeahka	PRC	12070601	July 7, 2014	July 6, 2024
12 . .		36	Shenzhen Yeahka	PRC	11822081	May 14, 2014	May 13, 2024
13 . .		9	Shenzhen Yeahka	PRC	11821939	May 14, 2014	May 13, 2024
14 . .		9	Shenzhen Yeahka	PRC	10490394	April 7, 2013	April 6, 2023
15 . .		9	Shenzhen Yeahka	PRC	10490343	April 7, 2013	April 6, 2023
16 . .		36	Shenzhen Yeahka	PRC	9851492	October 21, 2012	October 20, 2022
17 . .		9	Shenzhen Yeahka	PRC	9851355	December 21, 2012	December 20, 2022

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
18 ..	 www.yeahka.com	36	Shenzhen Yeahka	PRC	9851225	October 21, 2012	October 20, 2022
19 ..	 www.yeahka.com	9	Shenzhen Yeahka	PRC	9851043	February 28, 2013	February 27, 2023
20 ..		35	Shenzhen Feiquan	PRC	27594726	November 28, 2018	November 27, 2028
21 ..		36	Shenzhen Feiquan	PRC	27584355	November 28, 2018	November 27, 2028
22 ..		36	Shenzhen Feiquan	PRC	27571350	November 28, 2018	November 27, 2028
23 ..	Yeahka 移卡	36	Yeahka HK	Hong Kong	304911282	May 2, 2019	May 1, 2029
24 ..	Yeahka 移卡 Yeahka <small>Yeahka Tech</small>	36	Yeahka HK	Hong Kong	304911291	May 2, 2019	May 1, 2029
25 ..		36	Tuozhanbao Finance	PRC	30571708	March 7, 2019	March 6, 2029
26 ..		42	Tuozhanbao Finance	PRC	30567839	March 7, 2019	March 6, 2029
27 ..		9	Tuozhanbao Finance	PRC	30140919	February 7, 2019	February 6, 2029

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which are material to our business:

No.	Trademark	Class	Name of applicant	Place of application	Application number	Application date
1 ...		9	Shenzhen Yeahka	PRC	36488307	February 25, 2019
2 ...	Yeahka <small>Yeahka Tech</small>	36	Shenzhen Yeahka	PRC	36484271	February 25, 2019
3 ...	Yeahka 移卡	36	Shenzhen Yeahka	PRC	36478080	February 25, 2019
4 ...	Yeahka 移卡	9	Shenzhen Yeahka	PRC	36474739	February 25, 2019
5 ...	Yeahka <small>Yeahka Tech</small>	9	Shenzhen Yeahka	PRC	36471255	February 25, 2019
6 ...		35	Shenzhen Feiquan	PRC	27574194	November 20, 2017
7 ...	Yeahka Yeahka	36	Yeahka HK	Hong Kong	305155317	December 27, 2019

(b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which are material to our business:

No.	Domain name	Registrant	Registration date	Expiry date
1 ...	Feiquanbaoli.com	Feiquan Factoring	May 3, 2018	May 3, 2023
2 ...	Fqfin.cn	Feiquan Factoring	June 20, 2016	June 20, 2022
3 ...	ileshua.com	Leshua Technology	February 28, 2012	February 28, 2022
4 ...	yeahka.com	Leshua Technology	June 14, 2011	June 14, 2023
5 ...	openpos.cn	Qianhai Saosao	March 24, 2011	March 24, 2022
6 ...	lepass.cn	Shenzhen Yeahka	December 5, 2012	December 5, 2020
7 ...	ileshua.com.cn	Shenzhen Yeahka	February 28, 2012	February 28, 2022
8 ...	yeahca.cn	Shenzhen Yeahka	March 7, 2018	March 7, 2021
9 ...	lepass.net	Shenzhen Yeahka	March 14, 2018	March 14, 2021
10 ..	yeahca.net	Shenzhen Yeahka	March 7, 2018	March 7, 2021
11 ..	Fqfin.com	Shenzhen Feiquan	June 20, 2016	June 20, 2022
12 ..	Fqloan.cn	Guangzhou Feiquan	August 7, 2019	August 7, 2020
13 ..	Fqmloan.com	Guangzhou Feiquan	August 7, 2019	August 7, 2020
14 ..	Fqmloan.cn	Guangzhou Feiquan	August 7, 2019	August 7, 2020
15 ..	lszgz.com	Shenzhen Zhizhanggui	August 7, 2017	August 7, 2020
16 ..	fshaoshengyi.com	Qianhai Saosao	August 23, 2019	August 23, 2021

(c) Patents

As of the Latest Practicable Date, we have registered the following patents which are material to our business:

No.	Patent	Category	Patentee	Place of registration	Patent Number	Application Date
1 ...	雙屏組合支付功能新型智能收銀機	Utility model	Shenzhen Yeahka	PRC	ZL201721094553.3	August 29, 2017
2 ...	一種集成支付功能新型智能收銀機	Utility model	Shenzhen Yeahka	PRC	ZL201721095403.4	August 29, 2017
3 ...	一種前後殼固定組件及顯示設備	Utility model	Shenzhen Yeahka	PRC	ZL201720945490.1	July 31, 2017
4 ...	智能收銀機	Design	Shenzhen Yeahka	PRC	ZL201730344713.4	July 31, 2017
5 ...	一種移動支付裝置	Utility model	Shenzhen Yeahka	PRC	ZL201120496815.5	December 2, 2011
6 ...	可伸縮移動支付裝置	Design	Shenzhen Yeahka	PRC	ZL201130455126.5	December 2, 2011
7 ...	移動支付裝置、 移動終端POS 以及移動終端	Utility model	Shenzhen Yeahka	PRC	ZL2011202427291	July 11, 2011
8 ...	移動支付終端	Utility model	Leshua Technology	PRC	ZL201720183687.6	February 27, 2017
9 ...	移動支付終端設備	Utility model	Leshua Technology	PRC	ZL201720120984.6	February 9, 2017
10 ..	支付終端	Utility model	Leshua Technology	PRC	ZL201720129252.3	February 9, 2017
11 ..	智能移動支付設備 (LP107)	Design	Leshua Technology	PRC	ZL201630575525.8	November 25, 2016
12 ..	移動支付設備(LP105)	Design	Leshua Technology	PRC	ZL201630575528.1	November 25, 2016

As of the Latest Practicable Date, we have applied for the registration of the following patents which are material to our business:

No.	Patent	Category	Applicant	Application number	Application date
1 . . .	POS設備數據加密傳輸方法、 終端設備及存儲介質	Invention patent	Shenzhen Yeahka	201711030637.5	October 26, 2017
2 . . .	理賠方法、裝置及計算機可讀 存儲介質	Invention patent	Shenzhen Feiquan	201810037841.8	January 15, 2018

(d) Copyrights

As of the Latest Practicable Date, we have registered the following software copyrights which are material to our business:

No.	Copyright	Version	Registration number	Copyright Owner	Date of Creation
1 . . .	樂商圈(android)軟件	1.0.0	2019SR0468793	Yeahka WFOE	April 30, 2019
2 . . .	樂商圈(iOS)軟件	1.0.0	2019SR0468789	Yeahka WFOE	April 30, 2019
3 . . .	樂刷樂享版(android)軟件	1.0	2019SR0275899	Shenzhen Yeahka	February 27, 2019
4 . . .	樂刷樂享版(ios)軟件	1.0	2019SR0276009	Shenzhen Yeahka	February 27, 2019
5 . . .	代還信用卡還款應用	1.0.1	2018SR098167	Shenzhen Yeahka	December 1, 2017
6 . . .	機器人客服管理系統	1.0	2018SR101126	Shenzhen Yeahka	December 5, 2017
7 . . .	口碑推廣管理系統	3.0.1	2018SR098186	Shenzhen Yeahka	December 3, 2017
8 . . .	樂刷iphone手機軟件	1.0	2012SR129797	Shenzhen Yeahka	October 1, 2012
9 . . .	樂pos android手機軟件	1.0	2012SR129799	Shenzhen Yeahka	August 1, 2012
10 . . .	商務版VIP會員管理系統	3.2.8	2018SR098773	Shenzhen Yeahka	December 10, 2017
11 . . .	刷寶商務版軟件	1.0.3	2017SR501316	Shenzhen Yeahka	May 5, 2017
12 . . .	延遲到賬險管理平台	1.0.0	2018SR098740	Shenzhen Yeahka	November 20, 2017
13 . . .	移卡樂刷軟件	1.0	2011SR099867	Shenzhen Yeahka	October 1, 2011
14 . . .	POS終端機遠程管理系統	1.0.1	2018SR098143	Shenzhen Yeahka	October 28, 2017
15 . . .	共享經濟收入管理平台	1.0	2019SR0441254	Shenzhen Yeahka	July 11, 2018
16 . . .	廣告宣傳管理平台	1.0	2019SR0443645	Shenzhen Yeahka	September 15, 2018
17 . . .	樂閃唄無卡支付前端營銷系統	1.3.4	2019SR0445224	Shenzhen Yeahka	August 15, 2018
18 . . .	樂閃付商戶及營銷管理前端系 統	1.3.4	2019SR0443750	Shenzhen Yeahka	August 15, 2018
19 . . .	樂刷創客(android)軟件	1.0.0	2019SR0441925	Shenzhen Yeahka	February 25, 2019
20 . . .	賬務管理系統	1.0	2019SR0441172	Shenzhen Yeahka	September 18, 2018
21 . . .	智慧商圈平台軟件	1.0	2019SR0441169	Shenzhen Yeahka	November 5, 2018
22 . . .	SAAS聚合支付平台	1.0.0	2018SR475457	Leshua Technology	December 28, 2017
23 . . .	地推後台管理系統	1.7.0	2018SR475443	Leshua Technology	January 30, 2018
24 . . .	個人版APP軟件	3.2.6	2017SR026126	Leshua Technology	October 6, 2016
25 . . .	樂蜂享業務員管理前端 系統	1.7.0	2018SR477018	Leshua Technology	January 30, 2018
26 . . .	樂刷進件寶APP軟件	3.3.0	2017SR025835	Leshua Technology	November 3, 2016
27 . . .	樂刷科技快來付軟件(ios版)	2.1.1	2018SR643987	Leshua Technology	April 16, 2018
28 . . .	樂刷科技樂刷商務版軟件	3.0.1	2016SR273188	Leshua Technology	May 21, 2016
29 . . .	樂刷科技新刷寶軟件(ios版)	1.4.2	2018SR643193	Leshua Technology	March 30, 2018
30 . . .	樂刷快支付軟件	1.0	2017SR634882	Leshua Technology	November 1, 2017
31 . . .	樂刷商務版4.0嵌入式軟件	1.0.1	2016SR350249	Leshua Technology	January 15, 2016
32 . . .	樂刷收款寶軟件	2.7.1	2018SR1029479	Leshua Technology	March 28, 2018

No.	Copyright	Version	Registration number	Copyright Owner	Date of Creation
33 . . .	樂刷業務監控OSS系統	1.0.2	2017SR026165	Leshua Technology	October 26, 2016
34 . . .	渠道運營平台	1.0.1	2017SR619536	Leshua Technology	June 18, 2017
35 . . .	易收付APP軟件	1.0.0	2018SR475504	Leshua Technology	February 27, 2018
36 . . .	備付金管理系統	1.0.0	2019SR0441696	Leshua Technology	December 5, 2018
37 . . .	樂刷移動版(android)軟件	3.4.0	2019SR0443141	Leshua Technology	June 15, 2018
38 . . .	樂刷移動版(iOS)軟件	3.4.0	2019SR0443742	Leshua Technology	June 15, 2018
39 . . .	樂刷收款寶軟件	2.7.1	2018SR1029479	Leshua Technology	March 28, 2018
40 . . .	好生意(android)軟件	1.0.0	2019SR0416862	Qianhai Saosao	February 10, 2019
41 . . .	好生意(iOS)軟件	1.0.0	2019SR0410887	Qianhai Saosao	February 10, 2019
42 . . .	快樂Pay版(android)軟件	1.0	2018SR1019917	Qianhai Saosao	September 30, 2018
43 . . .	快樂Pay(iOS)版軟件	1.0	2018SR1020245	Qianhai Saosao	September 30, 2018
44 . . .	快樂支付(android)軟件	1.0.0	2018SR1061358	Qianhai Saosao	September 30, 2018
45 . . .	快樂支付(ios)軟件	1.0.0	2018SR1085442	Qianhai Saosao	September 30, 2018
46 . . .	開店寶•寶POS軟件 (安卓版)	1.0.0	2018SR694896	Tuozhanbao Finance	June 10, 2018
47 . . .	融e支付軟件(iOS版)	2.1.1	2018SR782727	Tuozhanbao Finance	May 20, 2018
48 . . .	融e支付軟件(安卓版)	2.1.1.1	2018SR788497	Tuozhanbao Finance	May 20, 2018
49 . . .	融信通軟件(安卓版)	2.0.0.7	2018SR791390	Tuozhanbao Finance	April 20, 2018
50 . . .	融信通軟件(iOS版)	2.0.8	2018SR790496	Tuozhanbao Finance	April 20, 2018
51 . . .	拓展寶工具軟件(ios版)	1.0.0	2018SR527557	Tuozhanbao Finance	March 1, 2018
52 . . .	拓展寶工具軟件(安卓版)	1.0.0	2018SR273670	Tuozhanbao Finance	March 1, 2018
53 . . .	拓展寶展業軟件(ios版)	1.0.0	2018SR531812	Tuozhanbao Finance	March 1, 2018
54 . . .	拓展寶展業軟件(安卓版)	1.0.0	2018SR530980	Tuozhanbao Finance	March 1, 2018
55 . . .	銀惠通軟件(安卓版)	1.0.6	2018SR427464	Tuozhanbao Finance	January 20, 2018
56 . . .	銀收寶軟件(iOS版)	2.1.1	2018SR784006	Tuozhanbao Finance	March 25, 2018
57 . . .	銀收寶軟件(安卓版)	2.1.1.1	2018SR787571	Tuozhanbao Finance	March 25, 2018
58 . . .	銀收寶商務軟件(安卓版)	2.0.0.1	2018SR421713	Tuozhanbao Finance	February 1, 2018
59 . . .	郵匯通軟件(安卓版)	1.0.0	2018SR545977	Tuozhanbao Finance	April 1, 2018
60 . . .	聚惠掃掃android版軟件	1.0.0	2019SR1456246	Shenzhen Yeahka	December 10, 2019
61 . . .	聚惠掃掃iOS版軟件	1.0.0	2019SR1456251	Shenzhen Yeahka	December 10, 2019
62 . . .	貸後催收管理系統	1.0.0	2019SR1129095	Shenzhen Feiquan	August 9, 2019
63 . . .	飛泉經營分析系統	1.0	2019SR1133353	Shenzhen Feiquan	February 19, 2019
64 . . .	飛泉雲數據案件分析系統	1.0	2019SR1129257	Shenzhen Feiquan	August 9, 2019
65 . . .	飛泉雲數據創業貸系統	1.0	2019SR1128961	Shenzhen Feiquan	May 7, 2019
66 . . .	飛泉雲數據反欺詐系統	1.0	2019SR1128937	Shenzhen Feiquan	August 9, 2019
67 . . .	飛泉雲數據樂借一分潤系統	1.0.0	2019SR1131095	Shenzhen Feiquan	August 1, 2019
68 . . .	飛泉雲數據權限系統	1.0.0	2019SR1133367	Shenzhen Feiquan	August 9, 2019
69 . . .	飛泉雲數據信審決策引擎系統	1.0.0	2019SR1133373	Shenzhen Feiquan	August 9, 2019
70 . . .	分佈式貸款管理系統軟件	1.0	2019SR1128944	Shenzhen Feiquan	July 23, 2019
71 . . .	樂借運營後台軟件	1.0	2019SR1130648	Shenzhen Feiquan	June 23, 2019

Save as aforesaid, as at the Latest Practicable Date, there were no other trade or service marks, patents, designs, intellectual or industrial property rights which were material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of our Directors and the Chief Executive of Our Company

Immediately following the completion of the Share Subdivision and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares that may be issued under the RSU Scheme, the interests or short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) Interest in our Company

Name of Director	Nature of Interest	Immediately after the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised)	
		Number of Shares held	Approximate percentage of shareholding interest ⁽¹⁾
Mr. Liu Yingqi (劉穎麒) ^(note 2)	Interest in controlled corporations/founder of a discretionary trust	165,710,764	39.95%
Ms. Zhou Lingli (周伶俐) ^(note 3)	Beneficial owner	7,571,476	1.83%
Mr. Yao Zhijian (姚志堅) ^(note 4)	Beneficial owner	2,594,592	0.63%
Mr. Hirofumi Ono (小野裕史) ^(note 5)	Interest in controlled corporations	24,556,032	5.92%
Mr. Mathias Nicolaus Schilling ^(note 6)	Interest in controlled corporations	6,371,972	1.54%

Notes:

- (1) The calculation is based on the total number of 414,802,672 Shares in issue immediately after the Share Subdivision and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares underlying the RSUs that may fall to be issued pursuant to the RSU Scheme).

- (2) Creative Brocade International is owned as to (i) 99.9% by Brocade Creation, which is wholly-owned by Liu FT Nominee, the holding vehicle used by Liu FT Trustee (the trustee of the Liu Family Trust); and (ii) 0.1% by Creative Brocade, which is wholly-owned by Mr. Liu. The Liu Family Trust is a discretionary trust established by Mr. Liu (as the settlor) and the discretionary beneficiary of which includes Mr. Liu. Accordingly, Mr. Liu is deemed to be interested in all the Shares held by Creative Brocade International upon the Listing.
- (3) Ms. Zhou Lingli is interested in 7,571,476 RSUs granted to her under the RSU Scheme entitling her to receive 7,571,476 Shares subject to vesting.
- (4) Mr. Yao Zhijian is interested in 2,594,592 RSUs granted to him under the RSU Scheme entitling him to receive 2,594,592 Shares subject to vesting.
- (5) eGuy & Goodman LLP, whose interest is held as to 90% and 10% by Mr. Hirofumi Ono and Ms. Yumi Ono (the spouse of Mr. Hirofumi Ono), respectively, held 36.75% of the total issued share capital in each of IVP Fund II A (GP), Ltd and IVP Fund II B (GP), Ltd, the respective general partners of IVP Fund II A, L.P. and IVP Fund II B, L.P. Therefore, Mr. Hirofumi Ono is deemed to be interested in all the Shares held by IVP Funds upon the Listing.
- (6) Mr. Mathias Nicolaus Schilling held 47.5% of the total issued share capital in e.ventures Growth GP, LLC, the general partner of e.ventures Growth, L.P., accordingly, Mr. Mathias Nicolaus Schilling is deemed to be interested in all the Shares held by e.ventures Growth, L.P. upon the Listing.

(ii) Interest in associated corporations of our Company

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Nature of interest</u>	<u>Registered Capital</u>	<u>Approximate percentage of shareholding interest</u>
Mr. Liu Yingqi (劉穎麒)	Shenzhen Yeahka	Beneficial owner	RMB198,545,266	99.27%

(b) Interests of the Substantial Shareholders

Save as disclosed in "Substantial Shareholders", immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares underlying the RSUs which may fall to be issued pursuant to the RSU Scheme, our Directors or chief executive are not aware of any other person (other than a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly 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 meetings of our Company or any of our subsidiaries.

(c) Interests in Other Members of our Group

So far as our Directors are aware, as of the Latest Practicable Date, the following persons (excluding us) are directly 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 meetings of our Company or any of our subsidiaries:

<u>Name of subsidiary</u>	<u>Name of shareholder</u>	<u>Registered capital</u>	<u>Approximate % of interest</u>
Hangzhou Qingni	Mr. Li Zhi'ang (李志昂)	RMB2,000,000	40%

2. Directors' Service Contracts and Letters of Appointment

Each of our executive Directors has entered into a service contract with our Company on April 30, 2020, and we have issued letters of appointment to each of our non-executive Directors and each of our independent non-executive Directors. The service contracts with each of our executive Directors and the letters of appointment with each of our non-executive Directors are for an initial fixed term of three years commencing from April 30, 2020. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, into a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Directors for the years ended December 31, 2017, 2018 and 2019 were approximately RMB3.2 million, RMB3.8 million and RMB4.7 million, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of the years ended December 31, 2017, 2018 and 2019, by any of member of our Group to any of our Directors.

Pursuant to the service contracts entered into between our Company and each of our executive Directors and the appointment letters issued to each of the non-executive Directors and independent non-executive Directors, the basic annual salary and the contractual annual performance bonus payable to each of our Directors are as follows:

Director	Remuneration (per annum)	Performance bonus (per annum)
	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Liu Yingqi (劉穎麒)	600	1,000
Ms. Zhou Lingli (周伶俐)	1,200	500
Mr. Yao Zhijian (姚志堅)	600	400
Mr. Mathias Nicolaus Schilling	Nil	Nil
Mr. Hirofumi Ono (小野裕史)	Nil	Nil
Mr. Tam Bing Chung Benson (譚秉忠)	225	Nil
Mr. Yao Wei (姚衛)	225	Nil
Mr. Yang Tao (楊濤)	225	Nil

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending December 31, 2020 to be approximately RMB5.0 million.

4. Directors' Competing Interests

None of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly 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 meetings of any other member of our Group;
- (c) none of our Directors nor any of the persons listed in "— E. Other Information — 5. Qualification of Experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, 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;
- (d) none of our Directors nor any of the persons listed in "— E. Other Information — 5. Qualification of Experts" below is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group as a whole;
- (e) save in connection with Underwriting Agreements, none of the persons listed in "— E. Other Information — 5. Qualification of Experts" below has any shareholding in any member of our Group 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;
- (f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

- (g) save as contemplated under the Underwriting Agreements, none of our Directors, their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customers and five largest suppliers.

D. SHARE INCENTIVE SCHEMES

1. Pre-IPO Stock Incentive Scheme

The following is a summary of the principal terms of the Pre-IPO Stock Incentive Scheme approved and adopted by our Board on January 1, 2013 and as subsequently amended (the "**Plan**"). The purposes of the Pre-IPO Stock Incentive Scheme are to attract and retain the best available personnel, to provide additional incentives to employees, directors and consultants and to promote the success of the Company's business.

(a) Who may participate

The Board or any committee appointed by the Board to administer the Plan (including the compensation committee) (the "**Administrator**") may, at its discretion, grant an award under the Plan, including but not limited to options or other right or benefit ("**Award(s)**") to an employee, director or consultant of our Company or any related entity ("**Eligible Participant(s)**") pursuant to the terms of the Plan.

(b) Grant of Awards

An Award shall be granted to an Eligible Participant by delivery of a written agreement (the "**Award Agreement**"), specifying the number of shares and any other terms and conditions (including, without limitation, any performance target(s) or condition(s) upon which the exercise of the option shall be conditional) on which it is granted. The Award Agreement shall serve as evidence of the grant of the option to the Eligible Participant whom an Award is granted in accordance with the terms of the plan (the "**Grantee**"). All Awards shall be granted and vested in accordance with the terms of the rules of the Plan.

The Administrator may establish one or more separate programs under the Plan for the purpose of issuing particular forms of Awards to one or more classes of Grantees on such terms and conditions as determined by the Administrator from time to time.

(c) Maximum number of Awards available

The maximum aggregate number of shares which may be issued pursuant to all Awards is 9,613,238 shares (proportionally adjusted to reflect any share dividends, share splits, or similar transactions).

Such maximum number of shares will be adjusted, in such manner as the Administrator may determine, at its sole and absolute discretion, to be in its opinion fair and reasonable in the event of any alteration in the capital structure of our Company whilst any option remains exercisable, to proportionally reflect any share dividends, share splits, or similar transactions of our Company.

Any shares covered by an Award (or portion of an Award) which is forfeited, canceled or expires (whether voluntarily or involuntarily) shall be deemed not to have been issued for purposes of determining the maximum aggregate number of shares which may be issued under the Plan. Shares that actually have been issued under the Plan pursuant to an Award shall not be returned to the Plan and shall not become available for future issuance under the Plan, except that if unvested shares are forfeited, or repurchased by the Company at the lower of their original purchase price or their fair market value at the time of repurchase.

(d) Exercise price

The exercise price in respect of any Award granted under the Plan shall be determined by the Administrator with reference to the fair market value of the underlying shares on the date upon which the Award is granted, and subject to the following qualifications:

- (i) in the case of an option or a share appreciation right granted to U.S. taxpayers, shall not be less than 100% of the fair market value of a share as of the date of grant;
- (ii) in the case of an incentive stock option (within the meaning of section 422 of the U.S. Internal Revenue Code of 1986, as amended) granted to an U.S. taxpayer, who, at the time the incentive stock option is granted, owns or deemed to own, shares representing more than 10% of the total combined voting power of all classes of shares of the Company or related entity, the per share exercise price will be no less than 110% of the fair market value per share on the date of grant;
- (iii) in the case of an Award issued under the Plan in settlement, assumption or substitution for, outstanding awards or obligations to grant future awards in connection with the Company or a related entity acquiring another entity, the exercise or purchase price for the Award shall be determined in accordance with the provisions of the relevant instrument evidencing the agreement to issue such Award.

Payment of the exercise or purchase price for the shares to be issued under the Award shall be made (i) in cash, by cheque or cash equivalent or (ii) by such other types of consideration as may be determined by the Administrator from time to time to the extent permitted by applicable law.

(e) Exercise of options

Any Award granted shall be exercisable at such times and under such conditions as determined by the Administrator under the terms of the Plan and specified in the Award Agreement. No Grantee shall be entitled to any rights, interest or benefits attached to the underlying shares of the options granted under the Pre-IPO Stock Incentive Scheme unless and until the option in respect of such shares has been vested on him and exercised in accordance with the terms of the Pre-IPO Stock Incentive Scheme.

An Award shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Award by the person entitled to exercise the Award and full payment for the shares with respect to which the Award is exercised.

The Award Agreement may, but need not, include a provision whereby the Grantee may elect at any time while an employee, director or consultant to exercise any part or all of the Award prior to full vesting of the Award, subject to compliance with the applicable laws and approval by the Administrator.

An Award may not be exercised prior to the occurrence of the following events, unless specifically permitted by the applicable Award Agreement:

- (i) an initial public offering of the Company; or
- (ii) a merger, amalgamation, consolidation or other business combination of the Company with or into any person, in which the Company is not the surviving entity, or any other transaction or series of transactions; or
- (iii) the sale, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company and its related entity; or
- (iv) liquidation, dissolution or winding up of the Company, either voluntary or involuntary; or
- (v) any reverse merger or series of related transactions culminating in a reverse merger (including, but not limited to, a tender offer followed by a reverse merger) in which the Company is the surviving entity but (A) the ordinary shares outstanding immediately prior to such merger are converted or exchanged by virtue of the merger into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such merger or the initial transaction culminating in such merger, but excluding any such transaction or series of related transactions as listed above; or
- (vi) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities, but excluding any such transaction or series of related transactions as listed above,

(each an "**Exit Event**"), unless our Company shall otherwise agree and so notify the Grantee separately in writing.

Except as provided otherwise in an individual Award Agreement or in any other written agreement between the Company and a Grantee, after an Exit Event, for the portion of each Award that is neither assumed (as defined in the Plan) nor replaced with a comparable share or stock award or a cash incentive program of the Company, the successor entity (if applicable) or parent of either of them, each Award which is at the time outstanding under the Plan, shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at fair market value) for all of the shares at the time represented by such Award, immediately prior to the specified effective date of such Exit Event, provided that the Grantee's continuous service has not terminated prior to such date. The portion of the Award that is not assumed or replaced shall terminate to the extent not exercised prior to the consummation of such Exit Event.

An Award may not be exercised after the termination date of such Award set forth in the Award Agreement and may be exercised following the termination of a Grantee's continuous service only to the extent provided in the Award Agreement.

(f) Vesting Schedule and Conditions of Awards

The Awards to be issued to any Grantee under the Plan shall be subject to the vesting schedule as specified in the Award Agreement of such Grantee. The Administrator shall have the right to adjust the vesting schedule of the Awards granted to the Grantees.

Subject to the terms of the Plan, the Administrator shall determine the provisions, terms, and conditions of each Award including, but not limited to, the Award vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment (cash, shares, or other consideration) upon settlement of the Award, payment contingencies, and satisfaction of any performance criteria. Each Award shall be subject to the terms of an Award Agreement approved by the Administrator. The performance criteria established by the Administrator may be based on any one of, or combination of, the following: (i) increase in share price, (ii) earnings per share, (iii) total shareholder return, (iv) operating margin, (v) gross margin, (vi) return on equity, (vii) return on assets, (viii) return on investment, (ix) operating income, (x) net operating income, (xi) pre-tax profit, (xii) cash flow, (xiii) revenue, (xiv) expenses, (xv) earnings before interest, taxes and depreciation, (xvi) economic value added and (xvii) market share. The performance criteria may be applicable to the Company, Related Entities and/or any individual business units of the Company or any related entity. Partial achievement of the specified criteria may result in a payment or vesting corresponding to the degree of achievement as specified in the Award Agreement.

(g) Transfer of Awards

Subject to the applicable laws, Awards shall be transferable (i) by will and by the laws of descent and distribution and (ii) during the lifetime of the Grantee, only to the extent and in the manner approved by the Administrator. Notwithstanding the foregoing, the Grantee may designate one or more beneficiaries of the Grantee's Award in the event of the Grantee's death on a beneficiary designation form provided by the Administrator.

(h) No Effect

The Plan shall not confer upon any Grantee any right with respect to the Grantee's continuous service, nor shall it interfere in any way with his or her right or the right of the Company or any related entity to terminate the Grantee's continuous service at any time.

Except as specifically provided in a retirement or other benefit plan of the Company or a related entity, Awards shall not be deemed compensation for purposes of computing benefits or contributions under any retirement plan of the Company or a related entity, and shall not affect any benefits under any other benefit plan of any kind or any benefit plan subsequently instituted under which the availability or amount of benefits is related to level of compensation.

(i) Rights on cessation of employment

Upon cessation of the Grantee's continuous service prior to an Exit Event for any reason, all unvested Awards shall be terminated immediately without further effect. To the extent any vested Award is not terminated ("**Outstanding Vested Award**") following termination of the Grantee's continuous service for any reason, the Company shall have the right (but not the obligation) to repurchase (the "**Repurchase Right**") from the Grantee all or any portion of such Outstanding Vested Award or the shares obtained by the Grantee upon exercise of the Awards. The Repurchase Right may be exercised by the Company at any time within one (1) year after termination of the Grantee's continuous service.

(j) Lapse of the Plan

The Plan shall continue in effect for a term of ten (10) years after the date of adoption, unless sooner terminated.

(k) Effect of alteration to share capital

Subject to any required action by the shareholders of the Company, the number of shares covered by each outstanding Award, the number of shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan, the exercise or purchase price of each such outstanding Award, the maximum number of shares with respect to which Awards may be granted to any Grantee in any fiscal year of the Company, as well as any other terms that the Administrator determines require adjustment shall be proportionately adjusted for:

- (i) any increase or decrease in the number of issued shares resulting from a share split, reverse share split, share dividend, combination or reclassification of the shares, or similar transaction affecting the shares;
- (ii) any other increase or decrease in the number of issued shares effected without receipt of consideration by the Company; or
- (iii) as the Administrator may determine in its discretion, any other transaction with respect to ordinary shares including a corporate merger, consolidation, acquisition of property or equity, separation (including a spin-off or other distribution of shares or property), reorganization, liquidation (whether partial or complete) or any similar transaction;

In the event of a spin-off transaction, the Administrator may, but not obliged, in its discretion make such adjustments and take such other action as it deems appropriate with respect to outstanding Awards under the Plan, including but not limited to:

- (i) adjustments to the number and kind of shares, the exercise or purchase price per share and the vesting periods of outstanding Awards;
- (ii) prohibit the exercise of Awards during certain periods of time prior to the consummation of the spin-off transaction; or
- (iii) the substitution, exchange or grant of Awards to purchase securities of the subsidiary.

(l) Administration of the Pre-IPO Stock Incentive Scheme

The Plan shall be subject to the administration of the Administrator who can make decisions as to all matters arising in relation to the Plan or its interpretation or effect.

(m) Amendment, Suspension or Termination of the Plan

The Board may at any time amend, suspend or terminate the Plan, provided, however, that no such amendment shall be made without the approval of the Company's shareholders to the extent such approval is required by applicable laws or if such amendment would change certain provisions of the Plan. No Award may be granted during any suspension or after termination of the Plan.

Unless otherwise determined by the Administrator in good faith, the suspension or termination of the Plan shall not materially adversely affect any rights under Awards already granted to a Grantee.

(n) Outstanding options granted under the Pre-IPO Stock Incentive Scheme

Options have been granted based on the performance of the option holders who have made important contributions to and are important to the long-term growth and profitability of our Group. There are altogether 47 option holders including two of the option holders are a Director, three are a director of our subsidiary (excluding those who are also Directors) and two of the option holders are senior management members of our subsidiaries.

Several batches of share options were granted to certain employees and directors in the years 2013, 2016, 2017 and 2018, respectively, representing a total of 8,527,346 shares. Details are as follows:

<u>Grant date</u>	<u>Number of share options</u>	<u>Vesting period</u>	<u>Exercise price (in USD)</u>	<u>Expiration terms</u>
January 1, 2013	1,378,674	1 year	0.0001	15 years from date of grant
February 1, 2016	5,048,672	11 months	0.0001	Same as above
January 1, 2017	1,280,000	1 year	0.0001	Same as above
January 1, 2018	820,000	To be vested evenly within a 4-year period from vesting commencement	4.2401	Same as above

As part of the Reorganization and for the convenience of the governance of the Company, our Company adopted a RSU Scheme to replace the Pre-IPO Stock Incentive Scheme such that all the options granted under the Pre-IPO Stock Incentive Scheme are converted to RSUs.

As at the date of this prospectus, none of the options granted under the Pre-IPO Stock Incentive Scheme has been exercised. No further options will be granted under the Pre-IPO Stock Incentive Scheme prior to the Listing Date. The Pre-IPO Stock Incentive Scheme has been terminated.

2. RSU Scheme

The following is a summary of the principal terms of the RSU Scheme approved and adopted by our Board on August 1, 2019. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

(a) Purposes of the RSU Scheme

The purpose of the RSU Scheme is to incentivize Directors (excluding independent non-executive Directors), senior management and other selected personnel for their contribution to our Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company.

(b) RSUs

A RSU gives a participant in the RSU Scheme (the "**RSU Participant**") a conditional right when the RSU vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of exercise of the RSUs, less any tax, stamp duty and other charges applicable, as determined by our Board in its absolute discretion. Each RSU represents one underlying Share. A RSU may include, if so specified by our Board in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares.

(c) Participants in the RSU Scheme

Persons eligible to receive RSUs under the RSU Scheme are existing directors (whether executive or non-executive, but excluding independent non-executive directors), senior management or officers of our Company or any of our subsidiaries ("**RSU Eligible Persons**"). Our Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion.

(d) Term of the RSU Scheme

The RSU Scheme will be valid and effective for a period of ten (10) years, commencing from the date of the first grant of the RSUs, being August 1, 2019 (unless it is terminated earlier in accordance with its terms) (the "**RSU Scheme Period**"), after which no further RSUs shall be granted or accepted, but the provisions of the RSU Scheme shall remain in full force and effect in order to give effect to the vesting of RSUs granted and accepted prior to the expiration of the RSU Scheme Period.

(e) Grant and acceptance*(i) Making an offer*

An offer to grant a RSU will be made to a RSU Eligible Person selected by our Board ("**RSU Selected Person**") by a letter, in such form as our Board may determine ("**RSU Grant Letter**"). The RSU Grant Letter will specify the manner of acceptance of the RSU, the number of RSUs granted and the number of underlying Shares represented by the RSUs, the vesting criteria and conditions, the vesting schedule, the exercise price of the RSUs (where applicable) and such other details as our Board considers necessary, and will require the RSU Selected Person to undertake to hold the RSU on the terms on which it is granted and to be bound by the provisions of the RSU Scheme. Our Company may (i) allot and issue new Shares to the RSU Trustee to satisfy the RSUs granted to RSU Selected Persons who are not connected persons of our Company upon exercise and/or (ii) direct and procure the RSU Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the RSUs granted to any RSU Selected Persons (including connected or non-connected grantees) upon exercise.

(ii) Acceptance of an offer

A RSU Selected Person may accept an offer of the grant of RSUs in such manner as set out in the RSU Grant Letter. Once accepted, the RSUs are deemed granted from the date of the RSU Grant Letter ("**RSU Grant Date**").

(iii) Restrictions on grants

Our Board may not grant any RSUs to any RSU Selected Persons in any of the following circumstances:

- (a) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the RSUs or in respect of the RSU Scheme, unless our Board determines otherwise;
- (b) where granting the RSUs would result in a breach by our Company, our subsidiaries or any of their directors of any applicable securities laws, rules or regulations; or
- (c) after a price sensitive event in relation to our securities has occurred or a price sensitive matter in relation to our securities has been the subject of a decision, until an announcement of such inside information has been duly published in accordance with the Listing Rules; or
- (d) within the period commencing one month immediately preceding the earlier of:
 - 1) the date of the meeting of our Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

- 2) the deadline to publish an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement; or
- (e) where such grant of any RSUs would result in a breach of the limits of the RSU Scheme (as set out in paragraph (f) below).

(iv) Grants to Directors

Where any RSU is proposed to be granted to a Director, it shall not be granted on any day on which our financial results are published and during the period of:

- (a) 60 days immediately preceding the publication date of our annual results or, if shorter, the period from the end of our relevant financial year up to the publication date of our results; and
- (b) 30 days immediately preceding the publication date of our quarterly results (if any) and half-year results or, if shorter, the period from the end of our relevant quarterly or half-year period up to the publication date of our results.

(v) Grants to Connected Persons

Before making any grant to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, all of our independent non-executive Directors must approve the grant of the RSU, and such grants shall otherwise be subject to compliance with the Listing Rules. For the avoidance of doubt, any grant of RSUs to a connected person of the Company, or any of their respective associates, shall be satisfied only by existing Shares to be received by the RSU Trustee from any Shareholder or to be purchased (either on-market or off-market) by the RSU Trustee.

(f) Maximum number of RSUs under this RSU Scheme

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the Scheme Rules) shall be such number of Shares held or to be held by the Trustee for the purpose of the RSU Scheme from time to time.

(g) Rights attached to RSUs

A RSU Participant does not have any contingent interest in any Shares underlying the RSUs unless and until such Shares are actually transferred to the RSU Participant. Further, a RSU Participant may not exercise voting rights in respect of the Shares underlying the RSUs prior to their exercise and, unless otherwise specified by our Board in its entire discretion in the RSU Grant Letter to the RSU Participant, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the RSUs.

(h) Rights attached to Shares

Any Shares transferred to a RSU Participant in respect of any RSUs will be subject to all the provisions of the Articles and will rank pari passu with the fully paid Shares in issue on the date of the transfer or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members, and accordingly will entitle the holder to participate in all dividends or other distributions paid or made on or after the date of the transfer or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members.

(i) Assignment of RSUs

The RSUs granted pursuant to the RSU Scheme are personal to each RSU Participant, and are not assignable. RSU Participants are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favor of any other person over or in relation to any property held by the RSU Trustee on trust for the RSU Participants, the RSUs, or any interest or benefits therein.

(j) Vesting of RSUs

Our Board can determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the RSU Grant Letter.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, our Board will send a vesting notice ("**Vesting Notice**") to each of the relevant RSU Participants. The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved.

(k) Appointment of the RSU Trustee

Our Company has appointed TMF Trust (HK) Limited as the RSU Trustee to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme. Our Company may (i) allot and issue Shares to the RSU Trustee to be held by the RSU Trustee and which will be used to satisfy the RSUs granted to RSU Selected Persons who are not connected persons of our Company upon exercise and/or (ii) direct and procure the RSU Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the RSUs granted to any RSU Selected Persons (including connected or non-connected grantees) upon exercise. Our Company shall procure that sufficient funds are provided to the RSU Trustee by whatever means as our Board may in its absolute discretion determine to enable the RSU Trustee to satisfy its obligations in connection with the administration of the RSU Scheme. All the Shares underlying the RSUs granted and to be granted under the RSU Scheme were allotted and issued to RSU Nominee 1 and RSU Nominee 2, each of which being a company wholly-owned by the RSU Trustee and as at the date of this prospectus, together holds (as the nominees) an aggregate of 9,613,238 shares underlying the RSUs granted and to be granted under the RSU Scheme for the benefit of eligible participants pursuant to the RSU Scheme.

(l) Exercise of RSUs

RSUs held by a RSU Participant that are vested as evidenced by the Vesting Notice may be exercised (in whole or in part) by the RSU Participant serving an exercise notice in writing on the RSU Trustee and copied to our Company. Any exercise of RSUs must be in respect of a board lot of 400 Shares each or an integral multiple thereof (except where the number of RSUs which remains unexercised is less than one board lot). Upon receipt of an exercise notice, our Board may decide at its absolute discretion to:

- (a) direct and procure the RSU Trustee to, within a reasonable time, transfer the Shares underlying the RSUs exercised (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the RSU Participant which our Company has allotted and issued to the RSU Trustee as fully paid up Shares or which the RSU Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any Shareholder, subject to the RSU Participant paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the RSU Trustee or as the RSU Trustee directs; or
- (b) pay, or direct and procure the RSU Trustee to, within a reasonable time, pay, to the RSU Participant in cash an amount which represents the value of the Shares underlying the RSUs exercised on or about the date of exercise (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) less any exercise price (where applicable) and after deduction of any tax, levies, stamp duty and other charges applicable to the sale of any Shares to fund such payment and in relation thereto.

(m) Rights on a takeover

If a general offer to acquire the Shares (whether by takeover offer, merger, or otherwise in a like manner) is made to all of our Shareholders (or Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and the general offer to acquire the Shares is approved and the offer becomes or is declared unconditional in all respects, a RSU Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

(n) Rights on a compromise or arrangement

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies and a notice is given by our Company to our Shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement and such Shareholders' approval is obtained, a RSU Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

(o) Rights on voluntary winding-up

If an effective resolution is passed during the RSU Scheme Period for the voluntary winding-up of the Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement), all outstanding RSUs shall be treated as having vested immediately. No Shares will be transferred, and no cash alternative will be paid, to the RSU Participant, but the RSU Participant will be entitled to receive out of the assets available in liquidation on an equal basis with our Shareholders such sum as they would have received in respect of the RSUs.

(p) Lapse of RSUs**(i) Full lapse of RSU**

Any unvested RSU will automatically lapse immediately where:

- (a) such RSU Participant's employment or service terminates for any reason, except (i) the employment or service is terminated by reason of death, retirement or disability; (ii) where the employment is terminated involuntarily without cause; (iii) where the company employing the RSU Participant ceases to be one of our subsidiaries; or (iv) any other incident occurs as the Board may at its discretion specify; or
- (b) the RSU Participant makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any RSUs or any interests or benefits pursuant to the RSUs.

(ii) Partial Lapse of RSU

A RSU Participant's unvested RSU will lapse on a proportional basis based on the proportion that:

- (a) the time between the RSU Grant Date and the occurrence of the following relevant event bears to;
- (b) the entire vesting period set out in the RSU Participant's RSU Grant Letter if:
 - (i) the RSU Participant's employment or service is terminated because of the RSU Participant's death, retirement or disability;
 - (ii) the RSU Participant's employment or service is terminated involuntarily without cause;
 - (iii) the company with which the RSU Participant is employed ceases to be one of our subsidiaries; or
 - (iv) any other incident occurs as our Board may at its discretion specify,

provided that the performance criteria set out in the RSU Grant Letter have been fully satisfied and fulfilled, if capable of being satisfied or fulfilled, with reference to the date of occurrence of that event.

(iii) *If at any time, a RSU Participant:*

- (a) ceases to be an employee as a result of termination of his employment with our Group for cause. For the purpose of this paragraph (p), "cause" means the RSU Participant is in breach of his contract of employment with or any other obligation to the Group;
- (b) fails, during the course of his employment, to devote the whole of his time and attention to the business of our Group or to use his best endeavors to develop the business and interests of our Group;
- (c) is concerned during the course of his employment with our Group (without the prior written consent of our Company) with any (competitive or other) business other than that of our Group; and/or
- (d) is in breach of his contract of employment with or any other obligation to our Group,

then all vested and unvested RSUs shall automatically lapse and such RSU Participant shall have no claim whatsoever in respect of the RSUs or the underlying Shares.

(q) *Cancellation of RSUs*

Our Board may at its discretion cancel any RSU that has not vested or lapsed, provided that:

- (i) our Company or our subsidiaries pay to the RSU Participant an amount equal to the fair value of the RSU at the date of the cancellation as determined by our Board, after consultation with our auditors or an independent financial adviser appointed by our Board;
- (ii) our Company or our relevant subsidiary provides to the RSU Participant a replacement award (or a grant or option under any other restricted share unit scheme, share option scheme or share-related incentive scheme) of equivalent value to the RSUs to be canceled; or
- (iii) our Board makes any arrangement as the RSU Participant may agree in order to compensate him/her for the cancellation of the RSUs.

(r) *Reorganization of capital structure*

In the event of any capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of the Company, our Board may, but is not obliged to, make such equitable adjustments, designed to protect the RSU Participants' interests, to the number of Shares underlying the outstanding RSUs or to the amount of the equivalent value, as it may deem appropriate at its absolute discretion.

(s) Amendment of the RSU Scheme

Save as provided in the RSU Scheme, our Board may alter any of the terms of the RSU Scheme at any time. Written notice of any amendment to the RSU Scheme shall be given to all RSU Participants.

Any alterations to the terms and conditions of the RSU Scheme which are of a material nature or any changes to the terms of the RSUs granted which shall operate to affect materially adversely any subsisting rights of any RSU Participant shall be subject to the consent of the RSU Participants amounting to three-fourths in nominal value of all underlying RSUs so held by the RSU Participants on the date of the relevant resolution passed by our Board in approving the amendment of the RSU Scheme or the terms of the RSUs granted (as the case may be), except where the alterations or changes take effect automatically under the existing terms of the RSU Scheme. Our Board's determination as to whether any proposed alteration to the terms and conditions of the RSU Scheme or the terms of the RSUs granted (as the case may be) is material shall be conclusive.

(t) Termination of the RSU Scheme

Our Board may terminate the RSU Scheme at any time before the expiry of the RSU Scheme Period. The provisions of the RSU Scheme shall remain in full force and effect in respect of RSUs which are granted pursuant to the rules of the RSU Scheme prior to the termination of the operation of the RSU Scheme. Our Company or our relevant subsidiary shall notify the RSU Trustee and all RSU Participants of such termination and of how any property held by the RSU Trustee on trust for the RSU Participants (including, but not limited to, any Shares held) and the outstanding RSUs shall be dealt with.

(u) Administration of the RSU Scheme

Our Board has the power to administer the RSU Scheme, including the power to construe and interpret the rules of the RSU Scheme and the terms of the RSUs granted under it. Our Board may delegate the authority to administer the RSU Scheme to a committee of our Board. Our Board may also appoint one or more independent third party contractors (including the RSU Trustee) to assist in the administration of the RSU Scheme and delegate such powers and/or functions relating to the administration of the RSU Scheme as our Board thinks fit.

Our Board's determinations under the RSU Scheme need not be uniform and may be made by it selectively with respect to persons who are granted, or are eligible to be granted, RSUs under it. If a Director is a RSU Participant he may, notwithstanding his/her own interest and subject to our Articles, vote on any Board resolution concerning the RSU Scheme (other than in respect of his/her own participation in it), and may retain RSUs under it.

Each RSU Participant waives any right to contest, amongst other things, the value and number of RSUs or Shares or equivalent value of cash underlying the RSUs or Shares and our Board's administration of the RSU Scheme.

(v) General

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, new Shares underlying the RSUs which may be granted pursuant to the RSU Scheme.

(w) Outstanding RSUs granted

As part of the Reorganization, RSUs were granted to replace all share options granted to directors, senior management and employees of our Group under the Pre-IPO Stock Incentive Scheme to provide a diversification of long-term incentives to our skilled and experienced personnel to recognize their past contributions to the growth of the Group and to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group.

As of the date of this prospectus, RSUs in respect of an aggregate of 9,408,346 shares, representing approximately 9.07% of the Shares in issue on the Listing Date, had been granted to 85 RSU Participants pursuant to the RSU Scheme, of which two of the RSU Participants are a Director, four are a director of our subsidiary and three of the RSU Participants are senior management members of our subsidiaries.

The grant and vesting of the RSUs granted pursuant to the RSU Scheme are in compliance with Rule 10.08 of the Listing Rules.

Details of the RSUs granted under the RSU Scheme as of the date of this prospectus and details of the vesting period are set out in the paragraph headed "3. Details of the RSUs granted under the RSU Scheme" below.

3. Details of the RSUs granted under the RSU Scheme

Name of grantees of RSU	Position held with our Group	Address	Number of shares represented by RSUs	Date of Grant	Exercise Price (US\$)	Approximate percentage of shareholding immediately following the completion of the Global Offering ⁽¹⁾ (%)
Director of our Company						
Zhou Lingli (周伶俐).	Chief strategy officer and Executive Director of our Company, chief strategy officer of Shenzhen Yeahka and senior vice president of Leshua Technology	Flat C, 16/F, Bayview, 9 Yuk Yat Street, Kowloon, Hong Kong	1,892,869	February 1, 2016	0.0001	1.83
Yao Zhijian (姚志堅).	Chief financial officer and Executive Director of our Company, chief financial officer and senior vice president of Shenzhen Yeahka and general manager of the finance department of Leshua Technology	Room 19D, Building 4, Kangjiayuan, Nanshan District, Shenzhen City, Guangdong Province, China	648,648	January 1, 2013	0.0001	0.63

Name of grantees of RSU	Position held with our Group	Address	Number of shares represented by RSUs	Date of Grant	Exercise Price (US\$)	Approximate percentage of shareholding immediately following the completion of the Global Offering ⁽¹⁾ (%)
Director of our subsidiary (excluding those who are also Directors of our Company)						
Huang Yanxiang (黃延祥)	General manager and executive director of Qianhai Saosao	Room 1213, Block B, Building 3, Fucheng Qianhai New Era, 229 Baomingyi Road, Bao'an District, Shenzhen, China	1,000,000	February 1, 2016	0.0001	0.96
Wang Guangui (王關貴)	Director and general manager of Shenzhen Feiquan	Room 19C, Building 3, Yang Ri Wan Pan, Haide 3rd Road, Nanshan District, Shenzhen, China	566,479	February 1, 2016	0.0001	0.55
Ren Yangbin (任煬彬)	Executive director of Shenzhen Feiquan	Room 606, Building 10, Haiyu Xiwan, Xin'an 6th Road West, Xixiang Street, Bao'an District, Shenzhen, China	50,000	February 1, 2016	0.0001	0.05
			20,000	August 1, 2019	6.4625	0.02

Name of grantees of RSU	Position held with our Group	Address	Number of shares represented by RSUs	Date of Grant	Exercise Price (US\$)	Approximate percentage of shareholding immediately following the completion of the Global Offering ⁽¹⁾ (%)
Zheng Yi (鄭一)	Executive director of Leshou Cloud and general manager and executive director Shenzhen Zhizhangui	Room 1601, Building 11, Dingtai Fenghua, Qianhai Road, Nanshan District, China	40,000	August 1, 2019	6.4625	0.04
Senior management members of our Group						
Luo Xiaohui (羅小輝) .	Chief architect of our Company and Shenzhen Yeahka	Flat B-1502, Building 3, Bihai Futong City, Bao'an District, Shenzhen, China	500,000	January 1, 2018	4.2401	0.48
Wu Gang (吳剛)	Deputy general manager and general manager of policy development department of our Company, general manager of Leshua Technology	Room 508, New Times Building, Xicheng District, Beijing 100032, China	600,000	January 1, 2017	0.0001	0.58
Zhu Jun (朱軍)	General manager of Leshou Cloud; supervisor of Shenzhen Zhizhangui	Room 502, Building 17, Langlu Jiayuan, Nanshan District, 3355 Liuxian Avenue, Shenzhen, China	30,000	August 1, 2019	6.4625	0.03

Rank/position held with our Group	Number of shares represented by RSUs	Approximate percentage of shareholding immediately following the Completion of the Global Offering⁽¹⁾(%)
23 management staff ⁽²⁾	811,432	0.78
40 technical staff ⁽²⁾	1,896,918	1.83
10 salesperson.	322,000	0.31

Note:

- (1) The calculation of the approximate percentage of shareholding immediately following the completion of the Global Offering has taken into account the Share Subdivision to be completed immediately before the Listing and is based on the total number of 414,802,672 Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares underlying the RSUs that may fall to be issued pursuant to the RSU Scheme).
- (2) For illustration purpose, management staff does not include Ren Yangbin and technical staff does not include Zheng Yi and Zhu Jun.

As of the date of this prospectus, no single grantee among the 73 employees (other than those disclosed in the table above) who have been granted RSUs under the RSU Scheme is entitled to a total number of RSUs exceeding 100,000 shares. As part of the Reorganization and for the convenience of the governance of the Company, our Company adopted a RSU Scheme to replace all the Pre-IPO Stock Incentive Scheme such that all the options granted under the Pre-IPO Stock Incentive Scheme are converted to RSUs. The grant of the RSUs represents an aggregate of 881,000 ordinary shares in the Company to such Grantees. Please refer to “1. Pre-IPO Stock Incentive Scheme — (n) Outstanding options granted under the Pre-IPO Stock Incentive Scheme” in this section for further details.

(a) Consideration paid for the grant of RSUs and the vesting period of the RSUs granted under the RSU Scheme

The grantees of the RSUs granted under the RSU Scheme as referred to in the table above are not required to pay for the grant of any RSU under the RSU Scheme.

For the RSUs granted on August 1, 2019 to the named individual grantees of RSU set out in the table above, they shall (unless our Company shall otherwise determine and so notify the RSU Participant in writing) vest in four years as follows:

- (i) as to 25% of the RSUs on the date ending 12 months after the date of grant of the RSUs;
- (ii) as to 25% of the RSUs on the date ending 24 months after the date of grant of the RSUs;
- (iii) as to 25% of the RSUs ending 36 months after the date of grant of the RSUs; and
- (iv) as to 25% of the RSUs ending 48 months after the date of grant of the RSUs.

Any authorized leave of absence, the vesting of the RSUs shall be suspended after the authorized leave of absence exceeds a period of thirty (30) days. Vesting of the RSUs shall resume upon the grantee's termination of the authorized leave of absence and return to service to the Company or a related entity. The vesting schedule of the RSUs shall be extended by the length of the suspension. In the event of the grantee's change in status from employee to consultant or from an employee whose customary employment is 30 hours or more per week to an employee whose customary employment is fewer than 30 hours per week, vesting of the RSUs shall continue only to the extent determined by the administrator as of such change in status.

E. OTHER INFORMATION**1. Estate Duty and Tax Indemnity**

The Controlling Shareholders have entered into the Deed of Indemnity dated April 30, 2020 with and in favor of our Company (for itself and as trustee for its subsidiaries) whereby the Controlling Shareholders have jointly and severally given indemnities in connection with, among other things, any liability for estate duty under the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), or legislation similar thereto in Hong Kong or any jurisdictions outside Hong Kong which might be incurred by any member of our Group on or before the Listing Date, and other taxation (including all fines, penalties, costs, charges, expenses and interests relating to taxation) which may be suffered by any member of our Group in respect of, among other things, any income, profits or gains earned, accrued or received on or before the Listing Date, save:

- (a) to the extent that specific provision or reserve has been made for such taxation in the audited consolidated financial information of our Group as set out in Appendix I;
- (b) to the extent that the liability for such taxation would not have arisen but for any act or omission of, or delay by, any member of our Group after the Listing Date; and
- (c) to the extent such loss arises or is incurred only as a result of a retrospective change in law or regulations or the interpretation or practice thereof by any relevant authority coming into force after the Listing Date.

2. Litigation

As of the Latest Practicable Date, save as disclosed in “Business — Legal and Regulatory Proceedings and Compliance”, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), and the Shares to be issued pursuant to the RSU Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Please refer to “Underwriting — Joint Sponsors’ Independence” for details regarding the independence of the Joint Sponsors.

The fees payable to the Joint Sponsors are US\$1.1 million and are payable by our Company.

4. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2019 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

5. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this prospectus:

Name	Qualification
CLSA Capital Markets Limited .	Licensed corporation under the SFO permitted to carry out type 4 (Advising on Securities) and type 6 (Advising on Corporate Finance) regulated activities (as defined under the SFO)
Nomura International (Hong Kong) Limited	Licensed corporation under the SFO permitted to carry out type 1 (Dealing in Securities), type 2 (Dealings in Futures Contracts), type 4 (Advising on Securities), type 5 (Advising on Futures Contracts) and type 6 (Advising on Corporate Finance) regulated activities (as defined under the SFO)
ABCI Capital Limited	Licensed corporation under the SFO permitted to carry out type 1 (Dealing in Securities) and type 6 (Advising on Corporate Finance) regulated activities (as defined under the SFO)
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
Han Kun Law Offices	Legal advisors as to PRC law
Maples and Calder (Hong Kong) LLP	Legal advisors as to Cayman Islands laws
Oliver Wyman, Inc.	Industry consultant

6. Consents of Experts

Each of the experts as referred to in "E. Other Information — 5. Qualification of Experts" in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or opinion (as the case may be) and references to their names included in the form and context in which they respectively appear.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

8. Preliminary Expenses

The preliminary expenses incurred by our Company were US\$11,165.97 and were payable by us.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Miscellaneous

(a) Save as disclosed in this prospectus:

- (i) within the two years immediately preceding the date of this prospectus, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
- (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;
- (iii) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
- (iv) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
- (v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and
- (vi) there is no arrangement under which future dividends are waived or agreed to be waived.

- (b) Our Directors confirm that:
- (i) since December 31, 2019 (being the date on which the latest audited consolidated financial statements of our Group was made up), there has been no material adverse change in our financial or trading position or prospects;
 - (ii) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus; and
 - (iii) our Company has no outstanding convertible debt securities or debentures.

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) copies of each of the material contracts referred to in "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix IV; and
- (c) the written consents referred to in "Statutory and General Information — E. Other Information — 6. Consents of Experts" in Appendix IV.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Miao & Co. (in association with Han Kun Law Offices), Rooms 3901-05, 39/F., Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the Accountant's Report and the report on the unaudited pro forma financial information prepared by PricewaterhouseCoopers, the texts of which are set out in Appendices I and II, respectively;
- (c) the legal opinions issued by Han Kun Law Offices, our PRC Legal Advisors, dated May 20, 2020 in respect of certain aspects of our Group and the property interests of our Group;
- (d) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our Cayman legal advisors, summarizing certain aspects of the Cayman Companies Law referred to in Appendix III;
- (e) the independent market research for the PRC payment industry and market issued by Oliver Wyman, Inc.;
- (f) the material contracts referred to in "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix IV;
- (g) the written consents referred to in "Statutory and General Information — E. Other Information — 6. Consents of Experts" in Appendix IV;
- (h) service contracts and letters of appointment referred to in "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Directors' Service Contracts and Letters of Appointment" in Appendix IV;

