



百融云创

Bairong Inc.

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)

Stock Code: 6608



GLOBAL OFFERING

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



Joint Bookrunners



IMPORTANT

If you are in any doubt about any of the contents in this document, you should obtain independent professional advice.



Bairong Inc. 百融雲創

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 123,822,500 Offer Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 12,383,000 Offer Shares (subject to reallocation)
Number of International Offer Shares	: 111,439,500 Offer Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	: HK\$31.80 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)
Nominal value	: US\$0.00002 per Share
Stock code	: 6608

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

Morgan Stanley



Joint Bookrunners



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

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or around Wednesday, March 24, 2021. If, for any reason, the Offer Price is not agreed by Tuesday, March 30, 2021, the Global Offering will not proceed and will lapse. The Offer Price will be no more than HK\$31.80 per Offer Share and is currently expected to be no less than HK\$26.50 per Offer Share unless otherwise announced.

The Joint Global Coordinators may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Offering. See “Structure of the Global Offering” and “How to apply for Hong Kong Offer Shares” for further details.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See “Underwriting—Underwriting arrangements and expenses—Hong Kong Offering—Grounds for termination” for further details.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in “Risk factors”.

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

The Company will be controlled through weighted voting rights upon Listing. Prospective investors should be aware of the potential risks of investing in a company with a WVR structure, in particular that the WVR Beneficiary, whose interests may not necessarily be aligned with those of our Shareholders as a whole, will be in a position to exert significant influence over the outcome of Shareholders’ resolutions, irrespective of how other Shareholders vote. For further information about the risks associated with the WVR structure, see “Risk factors—Risks relating to our WVR structure”. Prospective investors should make the decision to invest in the Company only after due and careful consideration.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.brgroup.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk, under “HKEXnews > New Listings > New Listing Information”, and our website at www.brgroup.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (a) apply online through the **White Form eIPO** service at www.eipo.com.hk;
- (b) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing 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; or
 - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (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 CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8600 on the following dates and times:

Friday, March 19, 2021 — 9:00 a.m. to 9:00 p.m.
Saturday, March 20, 2021 — 9:00 a.m. to 6:00 p.m.
Sunday, March 21, 2021 — 9:00 a.m. to 6:00 p.m.
Monday, March 22, 2021 — 9:00 a.m. to 9:00 p.m.
Tuesday, March 23, 2021 — 9:00 a.m. to 9:00 p.m.
Wednesday, March 24, 2021 — 9:00 a.m. to 12:00 noon

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary, broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to “How to Apply for Hong Kong Offer Shares” for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Your application must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

<u>No. of Hong Kong Offer Shares applied for</u>	<u>Amount payable on application</u>	<u>No. of Hong Kong Offer Shares applied for</u>	<u>Amount payable on application</u>	<u>No. of Hong Kong Offer Shares applied for</u>	<u>Amount payable on application</u>	<u>No. of Hong Kong Offer Shares applied for</u>	<u>Amount payable on application</u>
	<u>HK\$</u>		<u>HK\$</u>		<u>HK\$</u>		<u>HK\$</u>
500	16,060.23	8,000	256,963.59	70,000	2,248,431.40	1,000,000	32,120,448.60
1,000	32,120.45	9,000	289,084.04	80,000	2,569,635.89	1,250,000	40,150,560.75
1,500	48,180.68	10,000	321,204.49	90,000	2,890,840.37	1,500,000	48,180,672.90
2,000	64,240.90	15,000	481,806.73	100,000	3,212,044.86	1,750,000	56,210,785.05
2,500	80,301.13	20,000	642,408.97	200,000	6,424,089.72	2,000,000	64,240,897.20
3,000	96,361.35	25,000	803,011.22	300,000	9,636,134.58	2,500,000	80,301,121.50
3,500	112,421.58	30,000	963,613.46	400,000	12,848,179.44	3,000,000	96,361,345.80
4,000	128,481.79	35,000	1,124,215.70	500,000	16,060,224.30	3,500,000	112,421,570.10
4,500	144,542.02	40,000	1,284,817.94	600,000	19,272,269.16	4,000,000	128,481,794.40
5,000	160,602.24	45,000	1,445,420.19	700,000	22,484,314.02	4,500,000	144,542,018.70
6,000	192,722.69	50,000	1,606,022.43	800,000	25,696,358.88	5,000,000	160,602,243.00
7,000	224,843.14	60,000	1,927,226.92	900,000	28,908,403.74	6,191,500 ⁽¹⁾	198,873,757.51

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Hong Kong Offering, we will issue an announcement in Hong Kong to be published at the website of the Stock Exchange at www.hkexnews.hk and our website at www.brgroup.com.

	Time and date ⁽¹⁾
Hong Kong Offering commences	9:00 a.m. on Friday, March 19, 2021
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 Wednesday, March 24, 2021
Application lists open ⁽³⁾	11:45 a.m. on Wednesday, March 24, 2021
Latest time for (a) completing payment for White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Wednesday, March 24, 2021
<p>If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.</p>	
Application lists close ⁽³⁾	12:00 noon on Wednesday, March 24, 2021
Expected Price Determination Date ⁽⁵⁾	Wednesday, March 24, 2021
Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Offering and the basis of allocation of the Hong Kong Offer Shares at the website of the Stock Exchange at www.hkexnews.hk and our website at www.brgroup.com on or before	Tuesday, March 30, 2021
The results of allocations in the Hong Kong Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:	
<ul style="list-style-type: none"> ● in the announcement to be posted at the website of the Stock Exchange at www.hkexnews.hk and our website at www.brgroup.com ● 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 from ● from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. 	<p>Tuesday, March 30, 2021</p> <p>8:00 a.m. on Tuesday, March 30, 2021 to 12:00 midnight on Monday, April 5, 2021</p> <p>Tuesday, March 30, 2021, Wednesday, March 31, 2021, Thursday, April 1, 2021 and Wednesday, April 7, 2021</p>
Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before ⁽⁷⁾⁽⁹⁾	Tuesday, March 30, 2021

EXPECTED TIMETABLE

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications to be dispatched on or before⁽⁸⁾⁽⁹⁾ Tuesday, March 30, 2021

Dealings in the Class B Shares on the Stock Exchange to commence at 9:00 a.m. on Wednesday, March 31, 2021

Notes:

- (1) All dates and times refer to Hong Kong local dates and 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 Wednesday, March 24, 2021, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares—C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists”.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or instructing your **broker or custodian** to apply on your behalf via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares—A. Applications for the Hong Kong Offer Shares—6. Applying Through CCASS EIPO Service”.
- (5) The Price Determination Date is expected to be on or around Wednesday, March 24, 2021 and, in any event, not later than Tuesday, March 30, 2021. If, for any reason, we do not agree with the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares by Tuesday, March 30, 2021, the Global Offering will not proceed and will lapse.
- (6) None of the websites set out in this section or any of the information contained on the websites forms part of this document.
- (7) Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Offering—Grounds for Termination” has not been exercised. Investors who trade Class B Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely 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 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 may invalidate or delay encashment of the refund cheque.
- (9) Applicants who have applied on **White Form eIPO** for 1,000,000 or more Hong Kong Offer Shares may collect any refund cheques (where applicable) and/or Share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, March 30, 2021 or such other date as notified by us as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through CCASS EIPO service should refer to the section headed “How to Apply for Hong Kong Offer Shares—G. Despatch/Collection of Share Certificates/e-Refund Payment Instructions/Refund Cheques—Personal Collection—If you apply through CCASS EIPO service” for details.

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 the 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.

Share certificates and/or refund cheques for 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’ risk, to the addresses specified in the relevant applications.

Further information is set out in “How to Apply for Hong Kong Offer Shares—F. Refund of Application Monies” and “How to Apply for Hong Kong Offer Shares—G. Despatch/Collection of Share Certificates/e-Refund Payment Instructions/Refund Cheques”.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please refer to “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” respectively.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

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

You should rely only on the information contained in this document to make your investment decision. The Hong Kong Offering is made solely on the basis of the information contained and the representations made in this document. We have not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representations not contained or made in this document must not be relied on by you as having been authorised by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives, or any other parties involved in the Global Offering.

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SUMMARY

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

OUR MISSION

Our mission is to empower every financial services provider in China with smart and comprehensive data analytics.

OUR BUSINESS

Overview of Our Business

We are a leading independent AI-powered technology platform in China serving the financial services industry. According to Frost & Sullivan, we are the largest independent financial big data analytics solutions provider in China by revenue in 2019 (after taking into account revenue from precision marketing services). We have developed an expertise analysing consumers’ financial and behaviour patterns and are able to derive critical data insights enabling financial services providers, or FSPs, to improve their service efficiency while enhance their risk management capabilities. As of September 30, 2020, we had served more than 4,200 FSP clients (including 2,438 paying FSP clients) in China since our founding, including substantially all of China’s national banks, more than 650 regional banks, substantially all of China’s consumer finance companies, over 90 major insurance companies and a variety of other FSPs.

We provide services and facilitate transactions through our big data and AI technologies. Our services support the needs of FSPs in pre-lending risk management, post-lending monitoring, NPL management and insurance risk management, enabling them to reduce exposure to fraud and improve their underwriting and risk management effectiveness. We also provide big data marketing and distribution services that enable our FSP clients to reach and serve their target customers more effectively. Our precision marketing services are provided primarily through our proprietary financial product recommendation platform, Banyan, which is a marketplace connecting consumers with suitable financial products provided by our FSP clients. Our insurance distribution services are provided through our Liming technology platform, which provide brokers with data-driven tools and analytics to facilitate efficient and effective insurance sales and customer relationship management.

Benefiting from our massive data insights, advanced technology and leading service capabilities, we have won strong recognition and acceptance among licensed financial institutions. Our total revenue was RMB1,261.9 million for the year ended December 31, 2019 and RMB764.2 million for the nine months ended September 30, 2020. For the nine months ended September 30, 2020, approximately 90% of our total revenue came from FSP clients that are licensed financial institutions.

Our Business Model

The competitive advantages of our business centre around our proprietary and comprehensive repertoire of data labels, AI-powered big data analytics capabilities, and agile product development capability. We have established, through proprietary accumulation as well as collaboration with third-party partners, large and comprehensive databases covering a wide range of consumer data labels using

SUMMARY

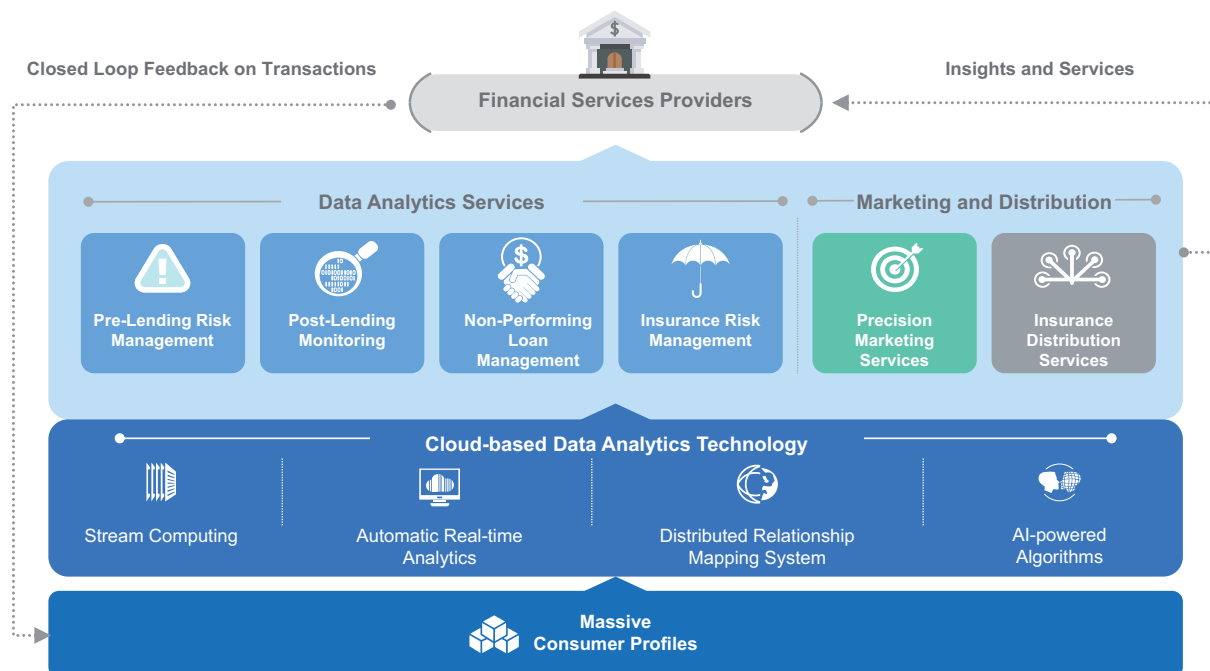
both financial and non-financial metrics. As we are one of the preferred service providers for independent big data analytics products and services for more than 4,200 FSPs (including 2,438 paying FSP clients) in China as of September 30, 2020, we are in a position to continually obtain dynamic data insights from the services we provided to our FSP clients. Such proprietary accumulation, together with data labels sourced from selected data partners, has enabled us to build a comprehensive database covering a wide range of consumer data labels.

We have built a cloud-native technology platform that supports the development and delivery of products and services to clients. Our platform offers a number of individual product modules which can be easily deployed and integrated with our clients' IT infrastructure and workflows via standardised application programming interfaces (APIs). We can also package various modules into customised end-to-end solutions for our clients. The cloud-native nature of our platform enables us to quickly adapt and deliver products and services to satisfy FSPs' ever-evolving needs, which, in turn, ensure the richness and diversity of our data labels. This ecosystem enables us to continuously expand our database, improve our data processing and data analytics capabilities, and help our clients enhance decision-making efficiency. In addition, our technology infrastructure empowers us to process a massive volume of data requests from FSPs in a cost-effective way.

We went through different monetization stages of applying our AI and data analytics capabilities. At the earlier stage of our development, we focused our efforts on applying our AI and data analytics capabilities to serve the credit assessment needs of national and regional banks and consumer finance companies, where a wide range of consumer data labels are concentrated. We invested heavily in developing our cloud-native IT system architecture and data management mechanism to enable efficient data processing and storage, refine our AI-powered algorithms and explore the application of new models. Our technologies have been continuously improved and become more intelligent as we served more FSPs, leading to enhanced data processing capabilities with greater speed and accuracy. The insights and knowledge uncovered from the data accumulated by us can be further leveraged upon. Through these years of investment and development, we have built a solid technology foundation to capture growth opportunities. We then applied our core AI and data analytics capabilities technologies to more monetization models, including precision marketing services and insurance distribution services. Leveraging our technology infrastructure and technology capabilities, we have developed a suite of analytics-driven AI and big data solutions to empower FSPs. This further enhances the rapid self-reinforcement of our technologies and allows us to deliver additional values to FSPs.

SUMMARY

The diagram below illustrates our data-technology platform and the operation of our data analytics services and marketing and distribution services.



We generate our revenue primarily through provision of data analytics services, precision marketing services and insurance distribution services. We adopt a “land and expand” approach to acquire FSP clients and grow our relationships with existing clients over time. We offer a number of free products to attract new clients and seek to deepen our client relationship through upselling and cross-selling our services and providing customised products and services. We complement this “land and expand” model with a business development team that possesses deep industry expertise and is dedicated to establishing long-term relationships with FSPs, understanding and anticipating their needs and identifying upselling and cross-selling opportunities. By forming a virtuous “Data—Analytics—Products” cycle where massive data labels and robust data analytics capabilities facilitate continuous innovation in products and services, our business model enables us to continuously enrich our core database and improve our data analytics capabilities, and to help us gain a significant operating leverage and high revenue visibility, thus generating recurring revenues and stable cash flows.

Since our founding, we have experienced significant growth, highlighted by the following key metrics:

	<u>As of December 31,</u>			<u>As of</u>	<u>As of</u>
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>September 30,</u>	<u>December 31,</u>
				<u>2020</u>	<u>2020</u>
Cumulative number of paying FSP clients we serve ⁽¹⁾	511	1,301	2,031	2,438	2,602

SUMMARY

	For the Year Ended December 31,			For the Nine Months Ended September 30,	For the Year Ended December 31,
	2017	2018	2019	2020	2020
Number of paying FSP clients we serve in a given calendar year/period	493	1,202	1,494	1,079	1,415
Average revenue per client of paying FSP clients (RMB in millions)	0.72	0.71	0.84	0.71	0.80
Number of Key FSP clients ⁽²⁾	62	135	196	N/A	237
Percentage of revenue contribution by Key FSP clients	55%	64%	73%	N/A	86%
Average revenue per client (ARPC) of Key FSP clients ⁽³⁾ (RMB in millions)	3.2	4.1	4.7	N/A	4.1

Notes:

- (1) We define “paying FSP clients” as FSP clients that had a paid subscription for our products and services and contributed to our revenue during the Track Record Period. “Paid subscription” by an FSP client in the context of our business means (i) a subscription based on usage, without an initial or recurring fee or (ii) an annual subscription that offers a standardised package with a pre-determined or unlimited number of requests such FSP client may use during the term of the related service agreement.
- (2) We define “Key FSP” clients as licensed financial institutions that each contribute more than RMB300,000 of our total revenue in a given calendar year.
- (3) ARPC of Key FSP clients is defined as the total revenue generated by our Key FSP clients in a given calendar year divided by the number of Key FSP clients in that calendar year.

Notably, the number of our Key FSP clients increased from 196 in 2019 to 237 in 2020 and the percentage of revenue contribution by Key FSP clients increased from 73% in 2019 to 86% in 2020.

In addition to the metrics set forth above, we use Key FSP client retention rate and Key FSP client net dollar expansion rate to measure our ability to retain and grow the Key FSP client base. We had a Key FSP client retention rate of 89% in 2019 and of 96% in 2020. The Key FSP client retention rate is the percentage of the Key FSP clients we have in a given year that we continue to retain during the next twelve months. Also, we achieved a net dollar expansion rate of 125% in 2019 for our Key FSP clients in 2018 and of 92% in 2020 for our Key FSP clients in 2019. Net dollar expansion rate is an indicator for the long-term value of our business relationship with our Key FSP clients and our ability to retain and grow revenue from Key FSP clients. We calculate net dollar expansion rate as a fraction, the denominator of which is the revenue contribution from Key FSP clients in one given year and the numerator of which is the contribution from the same group of Key FSP clients in the following year, expressed as a percentage. In addition, we had an FSP client retention rate of 82%, 61% and 54% in 2018, 2019 and 2020, respectively. The FSP client retention rate is the percentage of the FSP clients we have in a given year that we continue to retain during the next twelve months.

Furthermore, as Key FSP clients are defined as licensed financial institutions that each contribute more than RMB300,000 of our total revenue in a given calendar year, the metrics around Key FSP clients for the nine months ended September 30, 2020 are not available. For illustration purposes only, (i) the number of FSP clients that each contributed more than RMB300,000 of our total revenue in the nine months ended September 30, 2020 was 194; (ii) such FSP clients generated 87% of our total revenue in the nine months ended September 30, 2020; and (iii) the average revenue per client for such FSP clients in the nine months ended September 30, 2020 was approximately RMB3.4 million.

Our revenue increased significantly from 2017 to 2019 primarily due to the increase in the number of our Key FSP clients and their ARPC, while the decline in our revenue in the nine months ended September 30, 2020 was primarily due to the impact of COVID-19 on our business and the financial services industry in general. The losses recorded during the Track Record Period were primarily attributable to the increase in the fair value of our redeemable convertible preferred shares as a result of

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the increase in our equity value. The following table sets forth our revenue and loss during the Track Record Period:

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2017	2018	2019	2019	2020
	(RMB in millions)				
	(Unaudited)				
Total revenue	354.0	858.5	1,261.9	922.3	764.2
YoY (%)	—	142.5%	47.0%	—	(17.1%)
Loss from the year/period	(353.5)	(181.9)	(94.1)	(57.7)	(115.9)
YoY (%)	—	(48.5%)	(48.3%)	—	101.0%

Excluding the impact of fair value changes of redeemable convertible preferred shares and a few other items not expected to result in future recurring cash payments, we had (i) non-IFRS losses of RMB83.2 million in 2017 and RMB1.6 million in 2018 and a non-IFRS profit of RMB13.1 million in 2019; and (ii) non-IFRS profits of RMB10.9 million for the nine months ended September 30, 2019 and RMB20.4 million for the nine months ended September 30, 2020. See “Financial Information—Non-IFRS Measure” for more details on this non-IFRS measure.

Our Market Opportunities and Value Propositions

The big data analytics services market for the financial services industry presents significant opportunity. According to Frost & Sullivan, the total revenue of the big data analytics services market for the financial services industry in China in 2019 was RMB109.3 billion, and it is expected to continue to experience rapid growth, reaching RMB252.4 billion in 2024 with a CAGR of 18.2% from 2019 to 2024. The independent financial big data analytics services market is where independent financial big data analytics solution providers, which are not affiliated to any FSPs, provide independent and unbiased big data analytics services for financial risk management and customer life cycle management business of various clients. The PRC’s independent big data analytics services market for the financial industry accounted for approximately 9.6% of the overall market in terms of revenue in 2019. In 2019, we had an approximately 8.7% market share in terms of revenue of China’s independent financial big data analytics services market, which increased to 9.0% in 2020.

We have developed a wide range of products and services for different use cases of our FSP clients. Leveraging our big data analytics expertise, we provide the following value propositions to address the business needs of FSPs:

- *Broaden scope of data and provide extensive analytical expertise.* Due to limited data resources, FSPs often lack advanced data analytics and risk management tools to conduct credit risk assessment effectively and efficiently. Our comprehensive data labels and analytical capabilities enable FSPs to better analyse customers, manage credit risk and improve asset quality. In addition, our services and products allow FSP clients to save cost and timing to develop in-house data analytics capabilities, and to focus on managing end-customer relationships.
- *Enhance the efficiency of customer acquisition.* FSPs are in need of enhancing the efficiency of customer acquisition and engagement. We provide customised marketing analytics based on our data insights and precise consumer profiling capabilities. Our precision marketing services can help FSPs serve a broad customer base more personally and effectively.
- *Provide advanced technology capabilities.* FSPs are constantly looking for solutions to enhance their technology capabilities to quickly respond to customer needs and market changes. Leveraging our robust cloud-based technology infrastructure and data processing capabilities, we

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provide fast response to meet FSP clients' needs for large volume data operations and conduct real-time risk assessment. Our analytical models, smart decision engines and customised technology solutions enable FSP clients to address their specific process improvement needs and enhance their operations.

- *Independent data analytics solutions.* Financial institutions in China are required to conduct independent risk assessment during their lending activities. As an independent financial big data analytics solution provider, we can provide objective and unbiased product and services without conflicts of interests to address the increasing needs of FSPs and help them to improve risk management capabilities to meet the regulation requirements.

In contrast to the traditional credit assessment business in China, which typically relies on a small variety of static data without advanced AI capabilities and often only provides a limited number of products or services, we use our core database and data analytics capabilities to provide products and services that extend across the full service cycle of FSPs, including credit risk assessment and decision making, risk monitoring and management, and precision marketing. In turn, our products and services generate a large volume of data labels, enabling us to continuously expand our database, improve our modelling and product effectiveness, and develop sector-specific solutions and insights. Moreover, our products and services can be integrated with our FSP clients' decision-making process, generating visible and recurring revenues; they can also be delivered on a modularised basis, such that they can be easily subscribed to, individually or in combination, by new clients with minimal incremental IT or system development efforts.

OUR STRENGTHS

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

- *Market leadership.* According to Frost & Sullivan, we are the largest independent financial big data analytics solutions provider in China by revenue in 2019.
- *Comprehensive data labels and analytical capabilities.* We have built one of the largest and most comprehensive databases in China covering a wide range of data labels using both financial and non-financial metrics. The value of our data labels is magnified by our ability to translate unstructured data labels into structured data labels and then into intuitive, actionable insights in the form of consumer credit assessments, precision marketing plans, risk management metrics and other key indicators across the financial lifecycle.
- *Strong client base of financial services providers.* As of September 30, 2020, we had served more than 4,200 FSP clients (including 2,438 paying FSP clients) in China, including substantially all of China's national banks, more than 650 regional banks, substantially all of China's consumer finance companies, over 90 major insurance companies and a variety of other FSPs.
- *Highly efficient and scalable business model.* Our cloud-native model allows us to scale up our capacity in response to demand in a flexible and timely manner, compared with the traditional on-premise IT models.
- *Experienced management with technology-oriented culture.* Our management team includes data scientists, engineers, and former executives from banks, insurance companies, software businesses and technology providers.

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OUR STRATEGIES

We intend to pursue the following strategies to further grow our business:

- *Solidify leadership in technology.* We will continue to invest in technologies and collaborate with top universities and research institutions to develop technologies in AI and big data, invest in our technology infrastructure to support our stable, reliable and scalable services, and broaden our database as we serve more FSPs.
- *Enhance and expand our products and services.* We will continue to work with FSPs and expand our products and offerings to cater to their evolving needs.
- *Further expand our client base and deepen client relationship.* We will further enhance our business development capabilities, further expand our footprint in the financial services industry, and continue to deepen our client relationship by offering more comprehensive products and services covering the entire transaction life cycle.
- *Pursue strategic acquisitions that complement our leadership position.* While we expect this will occur primarily through organic growth, we have acquired and will continue to acquire assets and businesses that strengthen our value proposition to our FSP clients.

COMPETITIVE LANDSCAPE OF OUR INDUSTRY

Our addressable market is China's big data analytics service market. According to Frost & Sullivan, the strong demand for and growth potential of technology services for FSPs have attracted new players to the market. These players rapidly scaled up by leveraging their large consumer base or strong technology capabilities, such as big data, AI and cloud computing. Meanwhile, driven by the fast growth of financial services industry, big data analytics technology is quickly adopted by the financial industry in China, as big data analytics technology could facilitate credit rating and effectively realise precision marketing and more efficient customer management. Big data analytics technology is now being widely adopted in financial risk management and customer life cycle management scenarios for FSPs.

The big data analytics services market for the financial services industry in China is growing rapidly. According to Frost & Sullivan, the total revenue of the big data analytics services market for the financial services industry in China in 2019 was RMB109.3 billion, and a total of RMB32.3 billion was spent on financial risk management and RMB77.0 billion for customer life cycle management, which includes both new customer acquisition and existing customer management. It is expected that the big data analytics services market will continue to experience rapid growth from 2019 to 2024, reaching RMB252.4 billion in 2024 with a CAGR of 18.2%. The independent financial big data analytics services market is where independent financial big data analytics solution providers, which are not affiliated to any FSPs, provide independent and unbiased big data analytics services for financial risk management and customer life cycle management business of various clients. China's independent big data analytics services market for the financial industry accounted for approximately 9.6% of the overall market in terms of revenue in 2019, and the market is highly competitive and fragmented with the top five players accounting for 27.8% of the market share. In 2019, we had an approximately 8.7% market share in terms of revenue of China's independent financial big data analytics services market.

The key trends and market drivers for independent big data analytics services market include: (i) favourable policies for adopting big data analytics technology in the financial services industry; (ii) regulation requirement for FSPs to conduct independent risk management; (iii) technology

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advancement and increasingly digitalization; (iv) rising preference for independent financial big data analytics solutions; and (v) increased market concentration. See “Industry Overview” for a detailed description of the competitive landscape of our industry.

OUR CLIENTS AND SUPPLIERS

We have attracted a large and diversified group of FSP clients. As of September 30, 2020, we had served more than 4,200 FSP clients (including 2,438 paying FSP clients) in China, including substantially all of China’s national banks, more than 650 regional banks, substantially all of China’s consumer finance companies, over 90 major insurance companies and a variety of other FSPs. In 2017, 2018 and 2019 and for the nine months ended September 30, 2020, we had 493, 1,202, 1,494 and 1,079 paying FSP clients. For each of the years ended December 31, 2017, 2018 and 2019 and for the nine months ended September 30, 2020, our top five clients accounted for approximately 29.9%, 21.7%, 25.8% and 17.7% of our total revenue, and our largest client alone accounted for approximately 9.7%, 6.2%, 8.0% and 4.3% of our total revenue during each of these periods. See “Business—Our Clients” for a detailed description of our clients and see also “Business—Our Pricing Policy” for a detailed description of our pricing policy for our clients.

Our suppliers primarily include internet or insurance marketing service providers. For each of the years ended December 31, 2017, 2018 and 2019 and for the nine months ended September 30, 2020, our top five suppliers accounted for approximately 26.7%, 14.7%, 14.2% and 12.3% of our purchases, and our largest supplier alone accounted for approximately 10.3%, 4.7%, 4.7% and 3.0% of our purchases during each of these periods. See “Business—Our Suppliers” for a detailed description of our clients. We normally settle operating expenses with our suppliers, which primarily include internet service providers and insurance marketing service providers, within one or two months.

DATA-SHARING WITH THIRD PARTY DATA PARTNERS

We use a wide array of reputable third party data partners. For each period of the Track Record Period, we had more than 30 third party data partners and did not rely on a few or a particular set of these third party data partners. Our third party data partners range from travel services to payment processing and telecommunication operators, each providing us with data labels in specific category via real-time query feedback. Our third party data partners are reputable institutions that have a commitment to provide high quality data labels, and have developed comprehensive vetting standards for data partner engagement. Our representative data partners include, among others, (i) a subsidiary of a Shenzhen-listed company which is a pioneer in China’s payments and fintech industry, (ii) a subsidiary of a major state-owned telecommunications operator that focuses on providing consumer internet products and services through a unified online platform, and (iii) a leading big data intelligence strategy service provider, which offers one-stop services for big data analytics and application service platforms in connection with banking services provided through China’s major interbank network.

Although we believe that our collaborations with its existing data partners are and will continue to remain stable, to prevent any remote possibilities of collaboration disruption, we have identified a list of qualified back-up data partners that have knowledge about our business and the industry we operate in and that have data resources comparable with our existing data partners.

WVR STRUCTURE AND WVR BENEFICIARY

Our Innovativeness

We are an innovative company, predicated upon our development and application of market-leading data analytics techniques (including big data, artificial intelligence and anti-fraud engine), our unique

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independent cloud-native business model and first mover advantage. We use our core database and proprietary data analytics capabilities to provide products and services that extend across the full service cycle of FSPs, including credit risk assessment and decision making, risk monitoring and management and precision marketing. In turn, our products and services generate a large volume of data labels, enabling us to continuously expand our database, improve our modelling and product effectiveness, and develop sector-specific solutions and insights. Moreover, our products and services can be integrated with our FSP's clients' decision-making process, generating visible and recurring revenues; they can also be delivered on a modularised basis, such that they can be easily subscribed to, individually or in combination, by new clients with minimal incremental IT or system development efforts.

In contrast to the traditional credit assessment business in China, which typically relies on a small variety of static data without advanced AI capabilities and often only provides a limited number of products or services, we use our core database and data analytics capabilities to provide products and services that extend across the full service cycle of FSPs, including credit risk assessment and decision making, risk monitoring and management, and precision marketing. In turn, our products and services generate a large volume of data labels, enabling us to continuously expand our database, improve our modelling and product effectiveness, and develop sector-specific solutions and insights. Moreover, our products and services can be integrated with our FSP clients' decision-making process, generating visible and recurring revenues; they can also be delivered on a modularised basis, such that they can be easily subscribed to, individually or in combination, by new clients with minimal incremental IT or system development efforts.

Our cloud-native technology platform further creates a virtuous “Data-Analytics-Products” cycle where massive data labels and robust data analytics capabilities facilitate continuous innovation in our products and services, enabling us to continuously enrich our core database and improve our data analytics capabilities. See “Business” for further details.

The Company is led by an innovative management team, headed by its founder, Mr. Zhang Shaofeng, who is and will remain as an executive Director. Mr. Zhang has been integral to the success of the Company and has been materially responsible for the founding and growth of the Company's business. He is primarily responsible for the Company's business strategies and leads the Company in formulating its business and cultural values. Since the Company's founding, Mr. Zhang has pioneered the ground-breaking use of big data together with artificial intelligence to formulate a pre-loan credit risk scoring algorithm for financial institutions. This algorithm has now developed into the industry's leading SaaS cloud-based risk control platform. In 2017, led by Mr. Zhang's diversification plans, the Company launched a credit-focused targeted marketing platform and completed the strategic acquisition of Liming insurance brokerage. Mr. Zhang's decisions enabled the Company to diversify its product offerings and data sources, which in turn improved the Company's synergies and economies of scale among various business lines, resulting in a virtuous cycle of rapid and steady growth in revenue. See “Directors and senior management—Director—Executive Directors” for Mr. Zhang's biography.

Our WVR structure

The Company is proposing to adopt a weighted voting rights structure effective immediately prior to completion of the Global Offering. Under this structure, the Company's share capital will comprise Class A Shares and Class B Shares. Each Class A Share will entitle the holder to exercise 10 votes, and each Class B Share will entitle the holder to exercise one vote, on any resolution tabled at the

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Company's general meetings, except for resolutions with respect to the Reserved Matters, in relation to which each Share is entitled to one vote.

Immediately upon completion of the Global Offering, the WVR Beneficiary will be Mr. Zhang. Mr. Zhang will be interested in 84,299,615 Class A Shares, representing approximately 67.23% of the voting rights in the Company, and be entitled to control 15,000,000 Class B Shares representing approximately 1.20% of the voting rights in the Company (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes) with respect to shareholder resolutions relating to matters other than the Reserved Matters. See "Share capital—Weighted voting rights structure" for further details.

The Company is adopting the WVR structure to enable the WVR Beneficiary to exercise voting control over the Company notwithstanding that the WVR Beneficiary does not hold a majority economic interest in the share capital of the Company. This will enable the Company to benefit from the continuing vision and leadership of the WVR Beneficiary who will control the Company with a view to its long-term prospects and strategy.

Prospective investors are advised to be aware of the potential risks of investing in companies with a WVR structure, in particular that the interests of the WVR Beneficiary may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiary will be in a position to exert significant influence over the affairs of our Company and the outcome of Shareholders' resolutions, irrespective of how other Shareholders vote. Prospective investors should make the decision to invest in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure, see "Risk factors—Risks relating to our WVR structure".

OUR DATA SECURITY AND REGULATORY ENVIRONMENT AND RISKS RELATING TO DATA SECURITY

We have implemented comprehensive internal policies on protecting data security and have established a chief executive officer-led data security committee. See "Business—Data Arrangements and Data Security" for a detailed description of our data privacy and protection policies. Set forth below is a brief summary.

- Our data protection and privacy policies are focused on ensuring that: (i) our collection of personal data is conducted in accordance with applicable laws and regulations and (ii) personal data we collect are reasonable for the purposes for which they are collected.
- We maintain strict control over access to personal data and strict assessment and approval procedures to prohibit invalid or illegitimate uses. We manage access to personal data based on strict necessity and maintain records of data access.
- We collect, process and analyse data generated from activity of our FSP clients, and use personal data for the stated purpose as authorised by our FSP clients, in connection with compliance and risk management and as otherwise required by applicable laws and regulations.
- We use encryption technologies to protect the transmission and storage of personal data, and conduct periodic testing and assessment to determine the efficiency of our data processing and management technologies.
- In choosing our external data partners, we apply a strict process to assess the reasonableness and legality in the data provider's acquisition of data labels.

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We are subject to various laws and regulations relating to data protection and privacy, and the collection and use of personal data in China. See “Regulations” for a detailed description of these laws and regulations. We face challenges from the evolving regulatory environment towards data privacy and protection and any actual or alleged failure to comply with data privacy and protection laws and regulations could materially and adversely affect our business and results of operations. See “Risk Factors” for a detailed description of these risk factors.

RISK FACTORS

Our operations and the Global Offering involve certain risks and uncertainties, which are set out in the section headed “Risk Factors”. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face include:

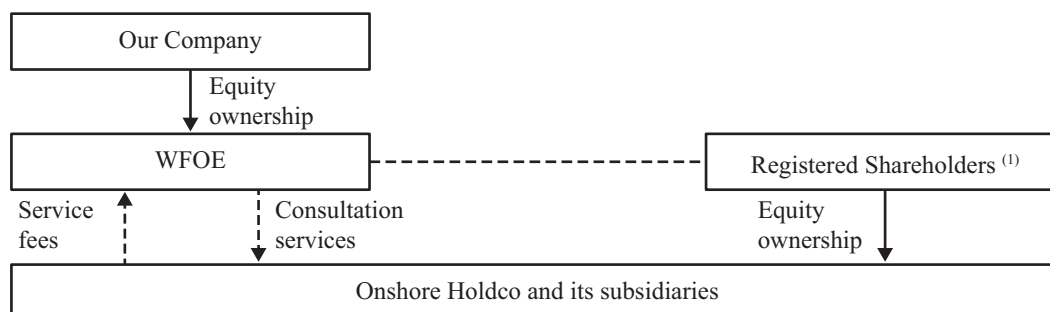
- We operate in a rapidly evolving market, which makes it difficult to evaluate our future prospects.
- We face challenges from the evolving regulatory environment and user attitudes towards data privacy and protection.
- Actual or alleged failure to comply with data privacy and protection laws and regulations could materially and adversely affect our business and results of operations.
- Our historical growth is not indicative of our future performance, and if we fail to manage our operations and expenses during our rapid expansion, our business, results of operations and financial condition could be harmed.
- We have incurred net losses and negative operating cash flow in the past, which we may continue to experience in the future.
- If we fail to develop and innovate our products and services, our business, financial performance and prospects may be materially and adversely affected.
- Our business could be materially and adversely harmed by the tightening of laws, regulations or standards that affect financial institutions or non-financial institutions.
- If we are not able to continue to broaden data access in the future, our business, results of operations and financial condition could be materially and adversely affected.
- If we are deemed to engage in a personal credit reporting business and violate any PRC laws or regulations governing personal credit reporting businesses, our business, financial condition, results of operations and prospects could be materially and adversely affected. In particular, we are subject to uncertainties surrounding the 2021 Draft Measures for Credit Reporting Business, the implementation of which may have an adverse impact on our business, financial condition and results of operations.
- If our data labels are out of date, inaccurate or lack credible information, we may not be able to provide quality services for our clients, which could adversely impact our business.
- Our arrangements with FSP clients are typically not exclusive. Failure to maintain relationships with existing FSP clients, especially our major clients, or develop new ones may materially and adversely affect our business and results of operations.

CONTRACTUAL ARRANGEMENTS

Due to foreign investment restrictions under PRC Laws, our Company is unable to own or hold any direct equity interest in the Consolidated Affiliated Entities conducting our businesses. Rather, we control these entities through Contractual Arrangements, through which we are able to derive

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substantially all economic benefits enjoyed by the Registered Shareholders from our Consolidated Affiliated Entities. See “Contractual Arrangements” for details. See also “Risk factors—Risks relating to our corporate structure”. The following simplified diagram illustrates the key aspects of the Contractual Arrangements:



Notes:

- (1) See “Contractual Arrangements” for details of our Registered Shareholders.
- (2) “→” denotes direct legal and beneficial ownership in the equity interest.
- (3) “-.->” denotes contractual relationship.
- (4) “-----” denotes the control by WFOE over the Registered Shareholders and the Onshore Holdco through (i) powers of attorney to exercise all shareholders’ rights in the Onshore Holdco, (ii) exclusive options to acquire all or part of the equity interests in the Onshore Holdco and (iii) equity pledges over the equity interests in the Onshore Holdco.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes), Mr. Zhang will be interested in and will control 84,299,615 Class A Shares through Genisage Tech Inc. and 15,000,000 Class B Shares through GeniAI Tech Ltd.. Mr. Zhang will be interested in approximately 20.05% of our issued Shares, and will be entitled to exercise approximately 68.42% of the voting rights of our issued Shares in general meetings (except for resolutions with respect to the Reserved Matters, in relation to which each Share is entitled to one vote). Therefore Mr. Zhang, Genisage Tech Inc., Genisage Holdings Limited, GeniAI Tech Ltd. and RongXing Trust together will constitute Controlling Shareholders of our Company after the Listing. See “Relationship with our Controlling Shareholders” for further details.

PRE-IPO INVESTORS

We received multiple series of equity financing from our Pre-IPO Investors to support our expanding business operations from 2014 to 2018. Our broad and diverse base of Pre-IPO Investors consists of, among others, IDG, Sequoia, Hillhouse, CICC and China Reform Fund. See “History, reorganisation, and corporate structure—Pre-IPO Investments” for details.

ACQUISITION OF LIMING

In order to supplement our data algorithm matching model and to enhance our precision marketing service offerings, we acquired a controlling interest in late 2017 and currently hold 63% of Liming. The acquisition of Liming, which holds national insurance broker license, has enabled us to provide insurance distribution services to insurance companies. Following the acquisition, we systematically revamped Liming’s IT and customer relationship management system. At the core of Liming’s one-stop insurance distribution service is our proprietary “Liming Box” mobile app, a mobile based data-driven customer relationship management platform, which integrates insurance-specific customer relationship management systems with our core big data and AI technology to cover the full life cycle of an insurance policy. Among other things, this enables insurance brokers to upload documents to

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complete KYC (know your customer) processes, record ongoing customer interactions and profile information, make use of our risk assessment and product recommendation algorithms and gain insights from our other proprietary data analytics tools. Our insurance distribution services, commenced in late 2017, generated revenue of RMB164.0 million, RMB332.2 million and RMB237.5 million for 2018, 2019 and the nine months ended September 30, 2020. Our insurance brokers team increased from 2,087 brokers as of December 31, 2017 to 4,920 as of September 30, 2020. See “History, reorganisation and corporate structure—Corporate development of our Group—Acquisition of Liming” for details of the acquisition, Appendix I for the financial information of Liming from January 1, 2017 until November 30, 2017, and “Financial information—Financial information of Liming” for a discussion of the financial information of Liming.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, derived from the Accountants’ Report set out in Appendix I. The summary consolidated financial data set forth below should be read together with, the consolidated financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

Selected items from the Consolidated Statements of Profit or Loss

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated.

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2017	2018	2019	2019	2020
	(Unaudited)				
	(RMB in thousands)				
Revenues:					
Data analytics services	314,524	406,343	522,654	389,074	356,239
Precision marketing services	17,890	271,113	404,786	309,185	169,678
Insurance distribution services	6,095	164,002	332,236	222,235	237,466
Other services	15,496	17,033	2,266	1,844	850
Total revenue	354,005	858,491	1,261,942	922,338	764,233
Cost of sales	(110,341)	(232,834)	(290,150)	(206,073)	(204,444)
Gross profit	243,664	625,657	971,792	716,265	559,789
Other income	8,814	12,911	27,390	20,501	26,119
Research and development expenses	(138,992)	(176,172)	(216,414)	(153,855)	(150,871)
General and administrative expenses	(96,158)	(173,373)	(221,794)	(169,281)	(138,511)
Sales and marketing expenses	(83,103)	(325,439)	(567,821)	(415,457)	(311,223)
Impairment loss	(25,122)	(3,440)	(4,420)	(3,863)	(555)
Loss from operations	(90,897)	(39,856)	(11,267)	(5,690)	(15,252)
Net finance costs	(1,178)	(2,459)	(10,170)	(7,411)	(9,498)
Changes in fair value of financial assets measured at fair value through profit or loss	(668)	3,457	(8,600)	(9,835)	702
Changes in fair value of convertible loan	—	304	8,403	8,403	—
Changes in fair value of redeemable convertible preferred shares	(255,374)	(146,323)	(76,173)	(44,866)	(93,776)
Loss before taxation	(348,117)	(184,877)	(97,807)	(59,399)	(117,824)
Income tax (expense)/benefit	(5,360)	2,944	3,667	1,742	1,941
Loss for the year/period	(353,477)	(181,933)	(94,140)	(57,657)	(115,883)

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	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2017	2018	2019	2019	2020
	(Unaudited)				
	(RMB in thousands)				
Attributable to:					
Equity shareholders of the Company	(344,710)	(179,105)	(93,165)	(54,636)	(116,148)
Non-controlling interests	(8,767)	(2,828)	(975)	(3,021)	265
Total comprehensive income for the year/period	(353,477)	(181,933)	(94,140)	(57,657)	(115,883)
Non-IFRS Measures:⁽¹⁾					
Non-IFRS (loss)/profit for the year/period					
(Unaudited)	(83,190)	(1,617)	13,071	10,860	20,427
Non-IFRS EBITDA (Unaudited)	(56,591)	36,859	87,380	64,121	83,197

(1) See “Financial Information—Non-IFRS Measures”.

The cost of sales consists primarily of (i) data service costs, (ii) marketing and distribution costs mainly associated with existing customers on Banyan, (iii) insurance brokerage commission and (iv) staff costs and others, such as salaries and benefits of employees, travel expenses, offices expenses, bandwidth cost and depreciation of servers, each incurred directly related to revenue generation.

The tables below set forth the revenue, cost of sales, gross profit and gross profit margin of each of our major service lines during the Track Record Period.

	2017	2018	2019	Nine months ended September 30, 2020
Data analytics services				
Revenue (RMB'000)	314,524	406,343	522,654	356,239
Cost of sales (RMB'000)	101,755	92,791	82,123	70,506
Gross profit (RMB'000)	212,769	313,552	440,531	285,733
Gross profit margin	67.6%	77.2%	84.3%	80.2%

	2017	2018	2019	Nine months ended September 30, 2020
Precision marketing services				
Revenue (RMB'000)	17,890	271,113	404,786	169,678
Cost of sales (RMB'000)	4,735	38,304	26,837	18,411
Gross profit (RMB'000)	13,155	232,809	377,949	151,267
Gross profit margin	73.5%	85.9%	93.4%	89.1%

	2017	2018	2019	Nine months ended September 30, 2020
Insurance distribution services				
Revenue (RMB'000)	6,095	164,002	332,236	237,466
Cost of sales (RMB'000)	3,320	99,039	180,767	115,527
Gross profit (RMB'000)	2,775	64,963	151,469	121,939
Gross profit margin	45.5%	39.6%	45.6%	51.4%

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use non-IFRS (loss)/profit and non-IFRS EBITDA as additional financial measures, which are

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not required by, or presented in accordance with, IFRS. We believe these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items which our management considers non-indicative of our operating performance.

We believe these measures provide useful information to investors and others in understanding and evaluating our consolidated statement of profit or loss in the same manner as they help our management. However, our presentation of non-IFRS (loss)/profit and non-IFRS EBITDA may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitutes for an analysis of, our results of operations or financial condition as reported under IFRSs.

We define non-IFRS (loss)/profit as loss for the year/period, excluding share-based compensation, fair value changes of redeemable convertible preferred shares, fair value changes of convertible loan and listing expenses. We define non-IFRS EBITDA as EBITDA excluding share-based compensation, fair value changes of redeemable convertible preferred shares, fair value changes of convertible loan and listing expenses. We exclude these items because they are not expected to result in future cash payments that are recurring in nature and they are not indicative of our core operating results and business outlook.

The following table reconciles our non-IFRS (loss)/profit for the year/period and non-IFRS EBITDA presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the year/period:

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2017	2018	2019	2019	2020
				(Unaudited)	
	(RMB in thousands)				
Reconciliation of loss to non-IFRS loss for the year/period:					
Loss for the year/period	(353,477)	(181,933)	(94,140)	(57,657)	(115,883)
<i>Add</i>					
Share-based compensation ⁽¹⁾	14,913	34,297	39,441	32,054	30,104
Changes in fair value of redeemable convertible preferred shares ⁽²⁾	255,374	146,323	76,173	44,866	93,776
Changes in fair value of convertible loan ⁽³⁾	—	(304)	(8,403)	(8,403)	—
Listing expenses ⁽⁴⁾	—	—	—	—	12,430
Non-IFRS (loss)/profit for the year/period (Unaudited)	<u>(83,190)</u>	<u>(1,617)</u>	<u>13,071</u>	<u>10,860</u>	<u>20,427</u>

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	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2017	2018	2019	2019	2020
	(Unaudited)				
	(RMB in thousands)				
Reconciliation of loss to EBITDA and non-IFRS					
EBITDA for the year/period:					
Loss for the year/period	(353,477)	(181,933)	(94,140)	(57,657)	(115,883)
<i>Add</i>					
Net finance costs	1,178	2,459	10,170	7,411	9,498
Income tax expense/(benefit)	5,360	(2,944)	(3,667)	(1,742)	(1,941)
Depreciation	20,010	38,806	67,370	47,351	54,381
Amortization	51	155	436	241	832
EBITDA (Unaudited)	(326,878)	(143,457)	(19,831)	(4,396)	(53,113)
<i>Add</i>					
Share-based compensation ⁽¹⁾	14,913	34,297	39,441	32,054	30,104
Changes in fair value of redeemable convertible preferred shares ⁽²⁾	255,374	146,323	76,173	44,866	93,776
Changes in fair value of convertible loan ⁽³⁾	—	(304)	(8,403)	(8,403)	—
Listing expenses ⁽⁴⁾	—	—	—	—	12,430
Non-IFRS EBITDA (Unaudited)	(56,591)	36,859	87,380	64,121	83,197

Notes:

- (1) Share-based compensation relates to the share options that we granted under our share incentive plan, which is a non-cash expense that is commonly excluded from similar non-IFRS measures adopted by other companies in our industry.
- (2) Fair value changes of redeemable convertible preferred shares represent the losses arising from change in fair value of our issued redeemable convertible preferred shares, which were recognised as financial liability at fair value through profit or loss. Such changes will no longer exist after the automatic conversion of our redeemable convertible preferred shares to equity upon the Listing and are non-cash in nature and are not directly related to our operating activities.
- (3) Fair value changes of convertible loan represents the gains arising from change in fair value of our issued convertible loan, which was recognised as financial liability at fair value through profit or loss. Such changes no longer existed upon the automatic conversion of our convertible loan to redeemable convertible preferred shares in June 2019 and were non-cash in nature and were not directly related to our operating activities.
- (4) Listing expenses relates to this Global Offering of the Company, which is one-off in nature and is not directly related to our operating activities.

The following table sets forth the components of our cost of sales, both in absolute amount and as a percentage of our revenue, for the periods presented:

	For the Year Ended December 31,						For the Nine Months Ended September 30,			
	2017		2018		2019		2019		2020	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
	(Unaudited)									
Cost of sales:										
Data service costs	69,636	19.7	81,717	9.5	73,446	5.8	53,928	5.8	62,264	8.1
Marketing and distribution costs	30,205	8.5	38,304	4.5	26,837	2.1	18,301	2.0	18,411	2.4
Insurance brokerage commission costs	3,320	0.9	99,039	11.5	180,767	14.3	127,568	13.8	115,527	15.1
Staff costs and others	7,180	2.0	13,774	1.6	9,100	0.7	6,276	0.7	8,242	1.1
Total cost of sales	110,341	31.1	232,834	27.1	290,150	22.9	206,073	22.3	204,444	26.7

During the Track Record Period, our total revenue increased by 142.5% from RMB354.0 million for the year ended December 31, 2017 to RMB858.5 million for the year ended December 31, 2018 and further increased by 47.0% to RMB1,261.9 million for the year ended December 31, 2019. Our

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revenue growth was primarily driven by (i) the growth in the number of our paying FSP clients which increased from 493 in 2017 to 1,202 in 2018 and further to 1,494 in 2019, of which our Key FSP clients increased from 62 in 2017 to 135 in 2018 and further to 196 in 2019, and (ii) the continuous increase in the average revenue per client (ARPC) contributed by our Key FSP clients, which increased from RMB3.2 million in 2017 to RMB4.1 million in 2018 and further to RMB4.7 million in 2019. Our total revenue decreased by 17.1% from RMB922.3 million for the nine months ended September 30, 2019 to RMB764.2 million for the nine months ended September 30, 2020, primarily due to (i) the negative impact of the COVID-19 outbreak and (ii) the changing regulations on retail credit facilitation companies that caused some of our FSP clients to adjust their business strategy on personal loans.

Our operating loss was RMB90.9 million, RMB39.9 million, RMB11.3 million, RMB5.7 million and RMB15.3 million for the year ended December 31, 2017, 2018, 2019 and for the nine months ended September 30, 2019 and 2020, respectively. The operating loss was primarily due to our revenue being offset by the significant amounts of research and development expenses, general and administrative expenses and sales and marketing expenses. With the development of the business and the improvement of operating efficiency, our operating loss had continuously decreased from 2017 to 2019. For the nine months ended September 30, 2020, our operating loss increased to RMB15.3 million as compared to RMB5.7 million for the nine months ended September 30, 2019, as our revenue decreased by 17.1% from RMB922.3 million for the nine months ended September 30, 2019 to RMB764.2 million for the nine months ended September 30, 2020 while our cost of sales and research and development expenses remained relatively stable as a result of our continuous efforts to expand our database and improve our technology capabilities.

Our net loss was RMB353.5 million, RMB181.9 million, RMB94.1 million, RMB57.7 million and RMB115.9 million for the year ended December 31, 2017, 2018, 2019 and for the nine months ended September 30, 2019 and 2020, respectively. As a result, we recorded accumulated losses throughout the Track Record Period. In addition to the foregoing factors that led to the operating losses, our net losses and accumulated losses were primarily attributable to the significant amounts of losses from fair value changes of redeemable convertible preferred shares.

During the Track Record Period, we had outstanding redeemable convertible preferred shares which were designated as financial liabilities at fair value through profits or losses. Their fair value is determined based on the valuation performed by an independent valuer using valuation techniques. We use our judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the respective valuation dates. We recorded a loss on the changes in fair value of the redeemable convertible preferred shares throughout the Track Record Period, thus adversely affecting our financial performance. Our redeemable convertible preferred shares would be reclassified from liabilities to equity as a result of the automatic conversion into our Shares upon the Listing, which will significantly improve our net liabilities position and net current liabilities position. Afterwards, we do not expect to recognise any further loss or gain on fair value changes from the convertible redeemable preferred shares and may revert back to a net asset position from a net liabilities position.

The continuous decrease in the amount of changes in fair value of redeemable convertible preferred shares for the year ended December 31, 2017, 2018 and 2019 was primarily attributable to our valuation increasing at a lower growth rate since 2017, and it was the net effect of the changes in our equity value allocated to the different series of preferred shareholders. The continuous decrease in the losses from fair value changes of our redeemable convertible preferred shares does not indicate a decrease in our valuation.

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Impact of regulations on retail credit facilitation industry on our business

Since 2019, PRC financial regulatory authorities have been strengthening the regulation of the retail credit facilitation industry and guiding retail credit facilitation companies to exit the market in an orderly manner. For example, the Circular on Strengthening the Development of the Credit Investigation System for the P2P Online Lending Sector (關於加強P2P網貸領域徵信體系建設的通知) issued in September 2019 and the Guiding Opinions on the Pilot Program of Transforming P2P Lending Information Intermediaries into Micro-lending Companies (關於網絡借貸信息中介機構轉型為小額貸款公司試點的指導意見) issued in November 2019 have caused adjustments to business strategy and compliance requirements for retail credit facilitation companies. See “Regulations—Regulations on Internet Financial Services” for a detailed description of these regulations.

We believe resilience exists in our precision marketing services as we continue to broaden our FSP client base and diversify product and service offerings, although the regulations on retail credit facilitation companies prompted some of our FSP clients to adjust their business strategy on personal loans, which, amid the COVID-19 outbreak in 2020, reduced the need of some FSP clients for our precision marketing services and therefore had a negative impact on our precision marketing services business for the nine months ended September 30, 2020.

Due to concern over the impact of the COVID-19 outbreak on the default rate of their loan portfolios, certain FSP clients significantly reduced their sales and marketing expenses to acquire new customers in response to such uncertainty. According to Frost & Sullivan, the number of newly issued domestic credit cards in China decreased by 60% for the six months ended June 30, 2020 compared to the six months ended June 30, 2019, and there was a 40% decrease of the marketing expenses of non-bank financial institutions for the nine months ended September 30, 2020, which are typically spent on acquiring potential customers for potential new consumer loan applications. As non-bank financial institutions represent the major category of FSP clients for our precision marketing services, the decreases in their sales and marketing budgeting had a negative impact on their need for our precision marketing services for the nine months ended September 30, 2020.

In addition, in response to these government regulations governing retail credit facilitation companies, the peer-to-peer lending platform companies in China have either ceased their business operations or adjusted their business strategies to transform into micro-lending companies or consumer finance companies. To the best knowledge of our Directors, there is no longer any peer-to-peer lending platform company in China.

However, we believe that we can overcome the impact of these government regulations and continuously improve the growth of precision marketing services going forward. In response to this regulatory development, we have adopted and plan to continue to adopt several measures, including the following:

- Our precision marketing services currently do not have any FSP clients that are online peer-to-peer lending platforms, which were most impacted by these government regulations. Accordingly, we are of the view that these evolving government regulations targeting peer-to-peer lending platforms would not impact the growth of our precision marketing services going forward.
- All the products on Banyan are in compliance with the existing applicable laws and regulations.
- We plan to broaden and diversify the products recommended on Banyan. We will also explore more cross-selling opportunities for our precision marketing services by leveraging our success in data analytics services.

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- We will continue to improve efficiency and precision in user acquisition and accuracy in matching and recommendation and gain reputation among our existing FSP clients.
- We will further strengthen the depth of our cooperation with traffic platforms.
- We plan to work together with FSP clients on Banyan, to build a deeper system integration through API connection, which allows us to deliver more precise and timely feedback to our FSP clients and to promote and explore new projects on a pilot basis.

Taking into account the above, we are of the view that as we continue to improve efficiency in user acquisition and accuracy in matching and recommendation and gain reputation among our existing FSP clients, we will be able to attract more FSP clients that need precision marketing services and we are well-positioned to overcome the impact of these government regulations.

In addition, according to Frost & Sullivan, as these government regulations have accelerated the transformation of peer-to-peer lending companies to micro-lending companies, it expects that the future needs in precision marketing services of these companies will, to some extent, compensate the revenue decrease in the revenue of financial big data analytics service providers caused by these changing government regulations. Furthermore, as the government continues working on establishing a comprehensive and sustainable regulatory framework, according to Frost & Sullivan, the clarified regulations are expected to, in the long run, promote the sustainable development of the industry, increase consumer confidence, and enhance the stability and credibility of the industry. The better income situation of credit service providers will lead to an increase in their needs for precision marketing services. As a result, according to Frost & Sullivan, the size of the precision marketing sector as a part of the financial big data analytics service market is expected to grow from around RMB77 billion in 2019 to around RMB162 billion in 2024, with a CAGR of around 16%, and the regulatory environment will benefit the financial big data analytics service market and its participants in the long run.

Based on (i) the discussions with us, our PRC Legal Adviser, the Joint Sponsors' PRC legal adviser and Frost & Sullivan, and (ii) the aforementioned Directors' view that there is no longer any peer-to-peer lending platform company in China, nothing has come to the attention of the Joint Sponsors for them to cast doubt on the reasonableness of our view that we are well-positioned to overcome the impact of these government regulations.

Selected items from the 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,			As of
	2017	2018	2019	September 30, 2020
	(in thousands of RMB)			
Non-current assets	116,505	133,467	292,090	262,884
Current assets	339,886	970,316	973,670	970,848
Total assets	456,391	1,103,783	1,265,760	1,233,732
Current liabilities	149,387	305,322	2,328,450	2,399,166
Non-current liabilities	1,296,775	1,928,794	122,039	105,074
Total liabilities	1,446,162	2,234,116	2,450,489	2,504,240
Net current assets/(liabilities)	190,499	664,994	(1,354,780)	(1,428,318)
Net liabilities	(989,771)	(1,130,333)	(1,184,729)	(1,270,508)
Non-controlling interests	8,659	16,924	16,252	16,517

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In addition, the tables below set forth the key items in our consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of
	2017	2018	2019	September 30, 2020
	(in thousands of RMB)			
Current assets				
Prepaid expenses and other current assets	45,458	56,325	77,634	52,208
Financial assets at fair value through profit or loss	36,120	547,354	545,695	706,279
Loans receivable	84,903	1,976	3,430	8,492
Trade receivables	78,502	152,307	195,994	159,859
Restricted cash	6,463	—	—	—
Cash and cash equivalents	88,440	212,354	150,917	44,010
Total current assets	339,886	970,316	973,670	970,848
Current liabilities				
Trade payables	8,628	9,198	39,542	45,166
Bank loans	9,550	30,000	—	—
Convertible loan	—	99,696	—	—
Contract liabilities	44,887	53,859	34,059	40,051
Lease liabilities	20,266	21,362	49,629	36,965
Accrued expenses and other current liabilities	66,056	91,207	124,075	102,063
Redeemable convertible preferred shares	—	—	2,081,145	2,174,921
Total current liabilities	149,387	305,322	2,328,450	2,399,166
Net current assets/(liabilities)	190,499	664,994	(1,354,780)	(1,428,318)

	As of December 31,			As of
	2017	2018	2019	September 30, 2020
	(in thousands of RMB)			
Non-current assets				
Property, plant and equipment	16,003	17,336	40,681	38,385
Intangible assets	23,708	25,628	28,971	31,838
Right-of-use assets	29,800	32,940	167,903	136,286
Goodwill	34,054	34,054	34,054	34,054
Financial assets at fair value through profit or loss	3,542	10,442	3,542	3,542
Deferred tax assets	4,398	7,345	11,217	13,057
Restricted cash	5,000	5,722	5,722	5,722
Total non-current assets	116,505	133,467	292,090	262,884
Non-current liabilities				
Redeemable convertible preferred shares	1,282,256	1,913,679	—	—
Lease liabilities	8,699	9,295	116,014	99,150
Deferred tax liabilities	5,820	5,820	6,025	5,924
Total non-current liabilities	1,296,775	1,928,794	122,039	105,074

We had net liabilities of RMB989.8 million, RMB1.1 billion, RMB1.2 billion and RMB1.3 billion as of December 31, 2017, 2018, 2019 and as of September 30, 2020, respectively, primarily due to the redeemable convertible preferred shares of RMB1.3 billion, RMB1.9 billion, RMB2.1 billion and RMB2.2 billion as of December 31, 2017, 2018 and 2019 and as of September 30, 2020, resulting from our multiple rounds of Pre-IPO Investments and the fair value changes of the redeemable convertible preferred shares.

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We had net current liabilities of RMB1.4 billion and RMB1.4 billion as of December 31, 2019 and as of September 30, 2020, respectively, primarily due to the redeemable convertible preferred shares of RMB2.1 billion and RMB2.2 billion as of December 31, 2019 and as of September 30, 2020, resulting from the fair value changes of the redeemable convertible preferred shares.

Our redeemable convertible preferred shares would be reclassified from liabilities to equity as a result of the automatic conversion into our Shares upon the Listing. Afterwards, we do not expect to recognise any further loss or gain on fair value changes from the convertible redeemable preferred shares and may revert back to a net current assets position from a net current liabilities position. We plan to improve our net current liabilities position through (i) adopting comprehensive measures to effectively control cost and operating expenses, in particular administrative expenses; and (ii) enhancing working capital management efficiency.

Our current financial assets at fair value through profit or loss represent the financial products in which we invested. These investments include certain low-risk wealth management products and trust plans issued by financial institutions in the PRC. We determine the fair value of trust plans and wealth management products by using discounted cash flow models. The unobservable inputs include expected annual return rate specified in the investment contracts. Our current financial assets at fair value through profit or loss were RMB36.1 million, RMB547.4 million, RMB545.7 million and RMB706.3 million as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively. Our investment in financial products was mainly due to our treasury management objective to improve returns on our available capital.

Our non-current financial assets at fair value through profit or loss represent investments of unlisted equity securities. The unlisted equity securities as at December 31, 2017, 2018 and 2019 and September 30, 2020 are shares in private companies incorporated in the PRC principally engaged in non-performing loan management service. One of the investees had ceased operation in 2019 and the fair value was nil as of December 31, 2019. The Company disposed of the investment in 2020.

Selected items from the Consolidated Statements of Cash Flows

The following table sets forth our cash flows for the periods indicated:

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2017	2018	2019	2019	2020
	(in thousands of RMB)				
Operating (loss)/profit before changes in working capital	(37,742)	26,984	82,892	62,653	53,240
Changes in working capital	(107,003)	28,673	(19,906)	(71,450)	45,698
Net cash (used in) / generated from operating activities	(144,745)	55,657	62,986	(8,797)	98,938
Net cash provided by / (used in) investing activities	98,872	(509,369)	(31,791)	310,341	(156,498)
Net cash (used in) / provided by financing activities	(23,018)	577,626	(92,632)	(76,169)	(48,646)
Net (decrease) / increase in cash and cash equivalents	(68,891)	123,914	(61,437)	225,375	(106,206)
Cash and cash equivalents at beginning of the year/period	157,331	88,440	212,354	212,354	150,917
Effect of foreign exchange rate changes	—	—	—	—	(701)
Cash and cash equivalents at the end of the year/period	88,440	212,354	150,917	437,729	44,010

We recorded net operating cash inflows of RMB55.7 million, RMB63.0 million and RMB99.0 million for the year ended December 31, 2018 and 2019 and for the nine months ended September 30, 2020, respectively. We recorded net operating cash outflows of RMB144.7 million and RMB8.8 million for the year ended December 31, 2017 and for the nine months ended September 30, 2019, respectively.

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The underlying reasons for our net cash outflows for the year ended December 31, 2017 and the nine months ended September 30, 2019 are as follows:

Net cash used in operating activities for the year ended December 31, 2017 was RMB144.7 million. We were at the early stage of our development. While the business was expanding, the research and development expenses and the general and administrative expenses were high, compared to the corresponding revenue recognised in the year. As a result, we incurred a net operating loss in 2017, which was one of the main reasons for net cash used in operating activities. Besides, our loans issued in 2017 also led to the operating cash outflow, and these loan receivables were gradually recovered in 2018.

Net cash used in operating activities for the nine months ended September 30, 2019 was RMB 8.8 million. Our business expanded and increased at a high speed. With the rapid increase of revenue, the costs and expenses increased correspondingly. Although the net operating cash flow was negative for the nine months of 2019 due to the increased costs and expenses, we managed to speed up the settlement of trade receivables in the fourth quarter, and viewing from the net operating cashflow of the whole year 2019, we realised net cash generated from operating activities. With the enhancement of market competitiveness and negotiation power, we have improved management on payment days, which could be demonstrated in the cash generated from operating activities for the nine months ended September 30, 2020.

We recorded operating cash inflows throughout the Track Record Period, other than in 2017 and for the nine months ended September 30, 2019. Net cash generated from operating activities was RMB99.0 million for the nine month ended September 30, 2020, compared with RMB8.8 million of the net cash used in operating activities for the nine months ended September 30, 2019. We will continue to monitor our operating cash flow management through: (i) adopting comprehensive measures to effectively control cost and operating expenses, in particular the general and administrative expenses; and (ii) enhancing working capital management efficiency.

As of September 30, 2020, we had RMB750.3 million of cash and cash equivalents and the current portion of financial assets at fair value through profit or loss, consisting of low-risk wealth management products and trust plans issued by financial institutions in the PRC.

In view of our net losses and net liabilities incurred/recorded throughout the Track Record Period and net current liabilities as of December 31, 2019 and September 30, 2020, we plan to ensure our working capital sufficiency by: (i) generating more revenue from provision of services to FSP clients through broadening our service offerings, expanding our FSP client base and further penetrating into our existing client base; (ii) adopting comprehensive measures to effectively control cost and operating expenses, in particular general and administrative expenses; and (iii) enhancing working capital management efficiency.

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Key Financial Ratios

The following table sets forth our key financial ratios for the periods indicated:

	For the Year Ended December 31,			For the Nine Months Ended September 30,
	2017	2018	2019	2020
Total revenue growth	NA	142.5%	47.0%	(17.1%)
Data analytics services	NA	29.2%	28.6%	(8.4%)
Precision marketing services	NA	1,415.4%	49.3%	(45.1%)
Insurance distribution services	NA	2,590.8%	102.6%	6.9%
Gross margin ⁽¹⁾	68.8%	72.9%	77.0%	73.2%
Net margin ⁽²⁾	(99.9%)	(21.2%)	(7.5%)	(15.2%)
Non-IFRS net margin ⁽³⁾	(23.5%)	(0.2%)	1.0%	2.7%
Non-IFRS EBITDA margin ⁽⁴⁾	(16.0%)	4.3%	6.9%	10.9%
Gearing ratio ⁽⁵⁾	3.17	2.02	1.94	2.03

Notes:

- (1) Gross margin equals gross profit divided by revenues for the period and multiplied by 100%.
- (2) Net margin equals (loss)/profit divided by revenues for the period and multiplied by 100%.
- (3) Non-IFRS net margin equals non-IFRS (loss)/profit divided by revenues for the period and multiplied by 100%.
- (4) Non-IFRS EBITDA margin equals non-IFRS EBITDA divided by revenues for the period and multiplied by 100%.
- (5) Gearing ratio equals total liabilities divided by total assets as of the end of the period.

During the Track Record Period, our total revenue increased by 142.5% from RMB354.0 million for the year ended December 31, 2017 to RMB858.5 million for the year ended December 31, 2018 and further increased by 47.0% to RMB1,261.9 million for the year ended December 31, 2019. Our revenue growth was primarily driven by (i) the growth in the number of our paying FSP clients which increased from 493 in 2017 to 1,202 in 2018 and further to 1,494 in 2019, of which our Key FSP clients increased from 62 in 2017 to 135 in 2018 and further to 196 in 2019, and (ii) the continuous increase in the average revenue per client (ARPC) contributed by our Key FSP clients, which increased from RMB3.2 million in 2017 to RMB4.1 million in 2018 and further to RMB4.7 million in 2019. Our total revenue decreased by 17.1% from RMB922.3 million for the nine months ended September 30, 2019 to RMB764.2 million for the nine months ended September 30, 2020, primarily due to (i) the negative impact of the COVID-19 outbreak and (ii) the changing government regulations on retail credit facilitation companies that caused some of our FSP clients to adjust their business strategy on personal loans.

Our gross margin increased from 68.8% for the year ended December 31, 2017 to 72.9% for the year ended December 31, 2018, and further to 77.0% for the year ended December 31, 2019. The increase in our gross margin was primarily due to (i) our enhanced pricing power, and (ii) the economies of scale and the improvement of our operating efficiency, which reduced the marginal cost as our revenue increased. The decrease in gross margin from 77.7% for the nine months ended September 30, 2019 to 73.2% for the nine months ended September 30, 2020 was attributable to the decrease in revenue due to the impact of COVID-19 on the industry and the increase in data costs as a result of our continuous efforts to build and maintain our database.

Our net margin increased from (99.9%) for the year ended December 31, 2017 to (21.2%) for the year ended December 31, 2018, and further to (7.5%) for the year ended December 31, 2019, and decreased from (6.3%) for the nine months ended September 30, 2019 to (15.2%) for the nine months ended September 30, 2020. These fluctuations follow the same trend as the gross margin. Besides, due to the increase in the fair value of redeemable convertible preferred shares and the occurrence of listing

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expenses, the decrease in net margin for the nine months ended September 30, 2020 was sharper than that in gross margin for the same period.

Our non-IFRS net margin increased from (23.5%) for the year ended December 31, 2017 to (0.2%) for the year ended December 31, 2018, further to 1.0% for the year ended December 31, 2019, and further to 2.7% for the nine months ended September 30, 2020. The non-IFRS net margin excluded the negative impact of fair value changes in redeemable convertible preferred shares and the Listing expenses in the nine months ended September 30, 2020, and therefore more accurately reflected our operating performance. We started to record a net profit margin under the non-IFRS measure in 2019 due to a year-over-year revenue growth rate of 142.5% and 47.0% in 2018 and 2019.

Our non-IFRS EBITDA margin increased from (16.0%) for the year ended December 31, 2017 to 4.3% for the year ended December 31, 2018, further to 6.9% for the year ended December 31, 2019, and further to 10.9% for the nine months ended September 30, 2020. These fluctuations basically follow the same trend as those of the non-IFRS net margin.

Our gearing ratio decreased from 3.17 as of December 31, 2017 to 2.02 as of December 31, 2018, mainly due to the issuance of additional series of redeemable convertible preferred shares in 2018. Moreover, our gearing ratio decreased to 1.94 as of December 31, 2019, mainly due to the new office lease agreements that we entered into in 2019 which resulted in an increase in right-of-use assets and leasing liabilities. As of September 30, 2020, our gearing ratio increased to 2.03 due to an increase in the fair value of redeemable convertible preferred shares, which resulted in the increase in total liabilities.

PRICING POLICY

Pricing policy and revenue model for data analytics services

In terms of fee model, paid subscription by an FSP client in the context of our data analytics services means (i) a subscription based on usage, or (ii) an annual subscription that offers a standardised package with a pre-determined number or unlimited number of requests such FSP client may use during the term of the related service agreement.

- For usage-based subscriptions, we charge our FSP clients based on the volume of requests they transmit to us for analysis and the types of modules to which they subscribe. We have a stand-ready obligation to perform during the contract period, and our obligation is to process an unknown quantity of transactions (e.g. data requests), as and when requested by our FSP clients over the contract period. The unit price for each transaction (or each request from our FSP clients) is stipulated in the contracts. There are multiple factors we consider when determining the unit price for each request, including (i) the number of requests the FSP client expects to send us; (ii) the number of service modules the FSP client expects to subscribe to; and (iii) the estimated spending budget of the FSP client. Typically, we make reconciliations with our FSP clients on the number of usages within each month and bill our FSP clients on a monthly basis. Revenue on these usage-based subscriptions with a defined price but an undefined quantity is recognised utilising the right to invoice expedient resulting in revenue being recognised on a monthly basis when the service is provided and we have the right to bill our FSP clients.
- We offer a small number of our Key FSP clients an annual subscription package under which an FSP client pays a preset fee for a pre-determined number or unlimited number of requests during the subscription period. Under this model, we essentially allow for a relatively lower unit price per each request than that of usage-based subscriptions, in exchange for a long-term relationship

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with Key FSP clients and a larger number of requests the Key FSP clients will send us for processing. Revenue from the subscription packages having a preset number of requests is recognised as the services are provided, using an effective request rate as the actual requests are delivered. Any remaining revenue related to unfulfilled units is not recognised until the end of the related contracts' subscription period. Revenue from the subscription packages having an unlimited volume is recognised ratably during the contract term.

The table below is a revenue breakdown by pricing model for data analytics services during the Track Record Period.

	2017	2018	2019	Nine months ended September 30, 2020
<i>Revenue from data analytics services (RMB'000)</i>				
Paid subscriptions:				
Usage-based subscriptions	307,629	384,161	469,556	279,050
Annual subscription packages	<u>3,537</u>	<u>9,408</u>	<u>25,518</u>	<u>51,761</u>
Total paid subscriptions	<u>311,166</u>	<u>393,569</u>	<u>495,074</u>	<u>330,811</u>
Project-based products and services	<u>3,358</u>	<u>12,774</u>	<u>27,580</u>	<u>25,428</u>
Total	<u><u>314,524</u></u>	<u><u>406,343</u></u>	<u><u>522,654</u></u>	<u><u>356,239</u></u>

In addition, a small part of our revenue comes from providing project-based products and services to meet the specific needs of our clients, such as localised solutions and joint modelling, for which we charge a pre-negotiated fee. We currently measure the stage of completion using output method by reference to the completion status reports acknowledged by our FSP clients. Revenue from the project-based products constitutes an insignificant portion of our total revenue throughout the Track Record Period, and therefore did not materially affect our profitability.

Pricing policy and revenue model for precision marketing services

We earn services fees from the FSPs for our precision marketing services and do not extend credit or assume any credit risk for any financial product recommended through Banyan. Service fees from the FSPs are primarily based on the number of successful referrals. The price for each recommendation charged to the FSPs is a fixed price or a fixed percentage of the amount of the financial products (e.g. loan volume facilitated) that the users apply for. Revenue is generally recognised when user submits an application for a financial product through Banyan or when the user's application is approved by the FSP. We normally bill our service fees with the FSPs on a monthly basis.

Pricing policy and revenue model for insurance distribution services

For each insurance product underwritten through our platform, we earn commissions and service fees from the insurance companies as a percentage of the insurance premium generated on such insurance product. The service fees and commissions are generally calculated as a percentage of the total insurance premium for the related insurance policy placed on behalf of customers. Insurance distribution services revenue is recognised when the signed insurance policy is in place and we have a present right to payment from the insurance companies. We normally bill our commissions with the insurance companies on a monthly basis. For life insurance, the majority of the commissions and service fees earned on a policy is generated during the first year of that policy. At the same time, as the annual renewal of the policy occurs, the insurance companies will continue to pay the renewal commissions and service fees.

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APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the Class B Shares in issue and to be issued pursuant to the Global Offering (including any Class B Shares which may be issued pursuant to the exercise of the Over-allotment Option), the Class B Shares to be issued under the Share Schemes, and the Class B Shares that may be issued upon conversion of the Class A Shares on a one to one basis, on the basis that, among other things, we satisfy the market capitalisation/revenue test under Rule 8A.06(2) of the Listing Rules with reference to: (i) our revenue for the year ended December 31, 2019, being approximately RMB1,261.9 million, which is over HK\$1 billion; and (ii) our expected market capitalisation at the time of Listing, which, based on the low-end of the indicative Offer Price range, exceeds HK\$10 billion.

FUTURE DIVIDENDS

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require companies incorporated in PRC to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Dividend distribution to our shareholders is recognised as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate.

Any future determination to pay dividends will be made at the discretion of our Directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. As advised by our Cayman Islands counsel, under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be declared or paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Investors should not purchase our shares with the expectation of receiving cash dividends. We did not declare or pay any dividends on our shares during the Track Record Period and we do not anticipate paying any cash dividends in the foreseeable future.

GLOBAL OFFERING

This document is published in connection with the Hong Kong Offering as part of the Global Offering. The Global Offering comprises of:

- (a) the Hong Kong Offering of initially 12,383,000 Offer Shares (subject to reallocation) in Hong Kong as described in “Structure of the Global Offering—The Hong Kong Offering”; and
- (b) the International Offering of initially 111,439,500 Offer Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in “Structure of the Global Offering—The International Offering”.

The Offer Shares will represent approximately 25.0% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised

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and no Shares are issued under the Share Schemes. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the total Shares in issue immediately following the completion of the Global Offering, assuming no Shares are issued under the Share Schemes.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since September 30, 2020, being the latest date of our consolidated financial statements as set out in Appendix I to this document, and there is no event since September 30, 2020 that would materially affect the information as set out in the Accountants' Report included in Appendix I to this document.

Management's Discussion and Analysis Of Financial Condition and Operation Results of 2020

The following tables set forth summary financial data from our preliminary financial information for the year ended December 31, 2020, derived from Appendix III to this prospectus. The summary financial data set forth below should be read together with, the preliminary financial information set out in Appendix III to this prospectus, including the related notes. The preliminary financial information has not been audited and may be subject to adjustments.

Selected items from the Consolidated Statements of Profit or Loss

	For the Year Ended December 31,	
	2019	2020
	(RMB in thousands) (Unaudited)	
Revenues	1,261,942	1,136,532
Gross profit	971,792	838,137
Loss for the year	(94,140)	(109,061)

Comparison of Year Ended December 31, 2020 and 2019

Revenue

Our total revenue decreased by 9.9% from RMB1,261.9 million for the year ended December 31, 2019 to RMB1,136.5 million for the year ended December 31, 2020, primarily due to the negative impact of the COVID-19 outbreak, especially the negative impact on precision marketing services. For details, see "Financial Information—Impact of COVID-19 on Operations."

Gross profit and gross margin

Our overall gross profit decreased by 13.8% from RMB971.8 million for the year ended December 31, 2019 to RMB838.1 million for the year ended December 31, 2020, and our overall gross margin decreased from 77.0% for the year ended December 31, 2019 to 73.7% for the year ended December 31, 2020. The decrease was primarily due to decrease in revenue impacted by COVID-19 and the increase in data costs as a result of our continuous efforts to build and maintain our database.

Loss for the year

In 2020, we recorded a net loss of RMB109.1 million compared with a net loss of RMB94.1 million in 2019, primarily due to (i) RMB131.5 million of loss in fair value of redeemable convertible preferred

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shares as a result of the increase in our valuation in 2020 and (ii) RMB36.7 million of share based compensation charged to profit or loss.

Selected items from the Consolidated Statement of Financial Position

	As of December 31,	
	2019	2020
	(in thousands of RMB)	
	(Unaudited)	
Net current assets/(liabilities)	(1,354,780)	795,547
Net liabilities	(1,184,729)	(1,257,072)

We had net current assets of RMB795.5 million as of December 31, 2020, which was primarily attributable to our financial assets at fair value through profit or loss of RMB806.1 million and trade receivables of RMB179.9 million, partially offset by accrued expenses and other current liabilities of RMB142.0 million and trade payables of RMB53.1 million.

As of December 31, 2020, we had net liabilities of RMB1.3 billion, primarily due to the redeemable convertible preferred shares of RMB2.2 billion which were classified as non-current liabilities.

Our redeemable convertible preferred shares would be reclassified from liabilities to equity as a result of the automatic conversion into our Shares upon the Listing. Afterwards, we do not expect to recognise any further loss or gain on fair value changes from the convertible redeemable preferred shares and may revert back to a net assets position from a net liabilities position.

We recorded a net loss in 2020, primarily due to (i) changes in fair value of redeemable convertible preferred shares as a result of the increase in our valuation in 2020 and (ii) share based compensation charged to profit or loss. We expect to record a net loss in 2021, primarily due to (i) expected changes in fair value of redeemable convertible preferred shares; (ii) an expected share based compensation to be charged to profit or loss and (iii) a portion of our listing expenses to be charged to profit or loss in 2021. Upon the completion of the Listing, no further changes in fair value of the redeemable convertible preferred shares will be recorded as the redeemable convertible preferred shares will have been converted to our ordinary shares.

As part of our strategic planning, we are considering establishing a regional headquarter based in Southwest China, which has a pro-innovation and pro-financial technology company environment and has attracted many large companies to establish their financial services and technology businesses. We believe this potential strategic move will provide us with greater potential growth opportunities in the future. We have taken initial steps to implement this plan. We have established Chongqing Bairong Ruixin Technology Co., Ltd. as a wholly foreign-owned enterprise in Chongqing.

2021 Draft Measures for Credit Reporting Business

On January 11, 2021, the PBOC released the 2021 Draft Measures for Credit Reporting Business (Draft) (the “2021 Draft”) for public consultation, aiming at promoting the transparency of the credit reporting service, protecting the legal rights and interests of the information providers, and improving the complied usage of credit information among the information provider, credit reporting agency and information user. See “Regulations—Regulations on Credit Reporting Business” for a detailed description of the 2021 Draft. The 2021 Draft was released for public consultation only, and substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. Based on its understanding and analysis of the 2021 Draft, as currently drafted, and the existing related

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administrative regulations governing credit reporting agencies, our PRC Legal Adviser is of the opinion that we are unlikely to be treated as a credit reporting agency and our businesses are unlikely to be treated as credit reporting services or activities. Accordingly, we are unlikely to be required to obtain a credit reporting license from the PBOC under the 2021 Draft, assuming it will be enacted in its current form. See “Business—2021 Draft Measures for Credit Reporting Business” for our PRC Legal Adviser’s detailed analysis of the regulatory framework currently contemplated under the 2021 Draft and potential treatment of our business thereunder. However, there is uncertainty as to the interpretation and implementation of the Draft 2021 by the relevant PRC regulatory authorities upon its effectiveness, and we cannot assure you that the relevant PRC regulatory authorities would reach the same conclusion as our PRC Legal Adviser. See “Risk Factors—Risks Relating to Our Business and Industry—If we are deemed to engage in a personal credit reporting business and violate any PRC laws or regulations governing personal credit reporting businesses, our business, financial condition, results of operations and prospects could be materially and adversely affected. In particular, we are subject to uncertainties surrounding the 2021 Draft Measures for Credit Reporting Business, the implementation of which may have an adverse impact on our business, financial condition and results of operations.”

We have taken various measures to help navigate through the uncertainty of the rule making process of the 2021 Draft. First, we are in the process of formulating plans to seek potential opportunities to collaborate with the existing licensed credit reporting agencies in the area of data analytics. Second, we have consulted with an official from a provincial branch of the PBOC, who has confirmed that the currently effective PRC laws do not prohibit any entity from providing data analytics services and risk management technical services to the FSP clients. Third, we have taken a comprehensive set of measures to ensure compliance with the information security requirements under the 2021 Draft.

In the event that we plan to engage in the personal credit reporting business or are required to obtain a personal credit reporting business license under the 2021 Draft, our PRC Legal Adviser is of the view that there will be no material legal impediments for us to establish a credit reporting agency pursuant to the currently effective PRC laws and regulations. However, in the unlikely event that regulatory authorities conclude that the 2021 Draft applies to our existing businesses and we fail to obtain a personal credit reporting license, we are of the view that (i) our project-based products and services under our data analytics services, precision marketing services and insurance distribution services, which accounted for 56.6% of our total revenue in the nine months ended September 30, 2020, will not be affected, and (ii) certain other products and services under our data analytics services may be affected, and the extent and degree of the impact on the specific products and services under our data analytics services, if any, depends on the specific interpretation and implementation of the 2021 Draft. In addition, in the unlikely event that regulatory authorities conclude that the 2021 Draft applies to our existing businesses and we are compelled to collaborate with other licensed personal credit reporting agencies, we estimate that the performance of our data analytics services may be affected depending on the specific collaboration arrangements with the licensed personal credit reporting agencies. See also “Risk Factors—Risks Relating to Our Business and Industry—If we are deemed to engage in a personal credit reporting business and violate any PRC laws or regulations governing personal credit reporting businesses, our business, financial condition, results of operations and prospects could be materially and adversely affected. In particular, we are subject to uncertainties surrounding the 2021 Draft Measures for Credit Reporting Business, the implementation of which may have an adverse impact on our business, financial condition and results of operations.”

Impact of COVID-19 on operations

All of our revenue is generated in China. Our results of operations and financial condition in 2020 will be affected by the spread of COVID-19. The extent to which COVID-19 impacts our results of

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operations in 2020 will depend on the future developments of the outbreak, including new information concerning the global severity of and actions taken to contain the outbreak, which are highly uncertain and unpredictable. In addition, our results of operations could be adversely affected to the extent that the outbreak harms the Chinese economy in general.

The global spread of COVID-19 and actions taken in response to the virus have negatively affected workforces, customers, consumer confidence, financial markets, consumer spending and credit markets, caused significant economic and business disruption, volatility and financial uncertainty, and led to a significant economic downturn, including in the markets where we operate. Mainly due to the impact of COVID-19, our revenue decreased by 17.1% from RMB922.3 million for the nine months ended September 30, 2019 to RMB764.2 million for the nine months ended September 30, 2020, primarily because revenue from precision marketing services decreased by 45.1% from RMB309.2 million to RMB169.7 million as our FSP clients experienced a decline in business demand due to COVID-19. We expect the COVID-19 outbreak will help to expand AI-powered technology utilisation in FSPs' online business process in the long term, but the COVID-19 outbreak had caused delays in the FSP clients' subscriptions for our data analytics services. Our net loss increased from RMB57.7 million for the nine months ended September 30, 2019 to RMB115.9 million for the nine months ended September 30, 2020. According to Frost & Sullivan, the number of newly issued domestic credit cards saw a year-on-year decrease of 60% for the six months ended June 30, 2020. Because banks are one of our main clients and the personal credit market is primarily based on credit cards, our pre-lending risk management business, the core income of our data analytics services section, was materially and negatively affected.

For the year ended December 31, 2020, our market share is estimated to be approximately 9.0%, which is 0.3% higher compared with our market share in 2019. The overall credit market is expected to rebound as China's economy continued to gain momentum after the pandemic is largely under control in China. For the six months ended December 31, 2020, the number of newly issued credit cards is expected to reach 22.4 million, representing a 124% increase compared to the six months ended June 30, 2020. In 2021, as consumption demands gradually recover, the number of newly issued credit cards is expected to increase by 157% compared to the number in 2020 and experience a 40% increase compared to the number in 2019. On the other hand, FSPs are paying more attention to early warning of risks and the activity of existing users, which requires heightened post-lending monitoring. For the nine months ended September 30, 2020, our overall processing volume for post-lending monitoring requests has increased significantly to 823 million, compared with 450 million for the year ended December 31, 2019.

We have taken a series of measures in response to the outbreak, including, among others, remote working arrangements for some of our employees, suspension of our offline customer acquisition activities and cancellation of non-essential business travels to ensure the safety and health of our employees. These measures could reduce the capacity and efficiency of our operations and negatively impact the procurement of products, which in turn could negatively affect our results of operations.

As of September 30, 2020, we had RMB750.3 million of cash and cash equivalents and the current portion of financial assets at fair value through profit or loss, consisting of low-risk wealth management products and trust plans issued by financial institutions in the PRC. We believe this level of liquidity is sufficient to successfully navigate an extended period of uncertainty. See also "Risk Factors—Risks Related to Our Business and Industry—We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations".

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In the worst case scenario under which we have to completely suspend all of our business operations and do not generate any revenue after September 30, 2020 due to COVID-19 outbreak and based on the following assumptions, our Directors estimate our existing cash and cash equivalents on hand as of September 30, 2020 and 10% of the expected net proceeds from the Global Offering, which is allocated for working capital and general corporate purposes, are sufficient for our necessary operations and support our financial viability for approximately 21 months. Our key assumptions include: (i) the Global Offering is priced at HK\$26.50 per Share, the low end of the indicative Offer Price range of HK\$26.50 to HK\$31.80 per Share, and the Over-allotment Option is not exercised; (ii) we will incur necessary costs and expenses to maintain necessary operations of RMB45 million per month including labour cost and rental expense and such amount of cost will remain at the same level starting from September 30, 2020; (iii) our outstanding trade receivables and trade payables as of September 30, 2020 will be settled according to the historical settlement rates; (iv) no additional cash generated from settling other current assets, excluding cash and cash equivalents; (v) restricted bank balance and deposit remains as is and will not be used as operating cash; and (vi) cash repaid on current liabilities, adjusted for convertible redeemable preferred shares, at 100% of their book value as of September 30, 2020.

The above mentioned analysis is for illustrative purposes only and our Directors estimate that the likelihood of such situation is extremely remote.

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 123,822,500 Offer Shares are issued pursuant to the Global Offering; and (ii) the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes.

	<u>Based on an Offer Price of HK\$26.50 per Share</u>	<u>Based on an Offer Price of HK\$31.80 per Share</u>
Market capitalisation of our Shares ⁽¹⁾	HK\$13,125.2 million	HK\$15,750.2 million
Unaudited pro forma adjusted net tangible assets per Share ⁽²⁾ . . .	HK\$8.35 (RMB6.98)	HK\$9.64 (RMB8.06)

Notes:

- (1) The calculation of market capitalisation is based on 495,289,330 Shares expected to be in issue immediately upon completion of the Global Offering, without taking into account any allotment and issuance of Class B Shares upon exercise of the Over-allotment Option and the Shares to be issued under the Share Schemes.
- (2) The unaudited pro forma adjusted net tangible asset per Share as of September 30, 2020 is calculated after making the adjustments referred to in Appendix II and on the basis that 495,289,330 Shares are expected to be in issue immediately upon completion of the Global Offering, without taking into account any allotment and issuance of Class B Shares upon exercise of the Over-allotment Option and the Shares to be issued under the Share Schemes.

For the calculation of the unaudited pro forma adjusted net tangible asset value per Share, see “Unaudited Pro Forma Adjusted Net Tangible Assets” in Appendix II.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions, and other fees incurred in connection with the Global Offering. The listing expenses estimate in this paragraph have taken into account the estimated underwriter commissions in connection with the Global Offering. Based on the mid-point Offer Price of HK\$29.15 and assuming that the Over-allotment Option is not exercised, the total estimated listing expenses in relation to the Global Offering are approximately RMB141.0 million, representing approximately 4.67% of the total gross proceeds from the Global Offering of approximately HK\$3,609.4 million. RMB12.4 million of listing expenses were incurred charged to our consolidated income statements during the Track Record Period. We estimate that we will incur further

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listing expenses of RMB128.6 million, of which RMB8.5 million will be charged to our consolidated income statement for the period beginning October 1, 2020 and ending December 31, 2020 and RMB18.4 million will be charged to our consolidated income statement for the year of 2021. The remaining balance of approximately RMB101.7 million, which mainly includes underwriting commission, is expected to be accounted for as a deduction from equity upon the completion of the Global Offering. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

USE OF PROCEEDS

Assuming an Offer Price of HK\$29.15 per Offer Share, we estimate that we will receive net proceeds of approximately HK\$3,440.7 million from the Global Offering after deducting the underwriting commissions and other estimated expenses paid and payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below (based on the mid-point of the Offer Price range):

- Approximately 45%, or HK\$1,548.3 million, will be used over the next three years to fund our business expansion with a goal to expand our FSP client base and penetrate our existing FSP client base, including (i) enhancing the functionalities and features of our existing products and services; (ii) developing new products and services; (iii) improving our tailor-made product-related modelling capabilities based on underlying AI algorithm and other fundamental AI technologies; (iv) identifying suitable third party partners with proprietary technologies and solutions and expertise in a particular industry sector we desire to further develop or expand into; and (v) expanding our sales and service network to better serve our FSP clients;
- Approximately 30%, or HK\$1,032.2 million, will be used over the next three years to enhance our efforts in research and development to explore cutting-edge technologies and improve our existing technology infrastructure, such as AI algorithm, automatic real-time analysis and distributed relationship mapping system, with a goal to provide a more secure, stable and faster services to our FSP clients;
- Approximately 15%, or HK\$516.1 million, will be used over the next three years to selectively pursue strategic investments and acquisitions that we believe will allow us to expand our existing product and service offerings, improve our technology capabilities, and centralised our value proposition to our FSP clients. As of the Latest Practicable Date, we had not entered into any binding commitment, whether oral or written, for any business or asset acquisitions; and
- Approximately 10%, or HK\$344.1 million, will be used for working capital and general corporate purposes.

See “Future Plans and Use of Proceeds” for more details.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in “Glossary of technical terms”.

“2019 ESOP”	the share incentive plan approved and adopted in August 2019, the principal terms of which are set out in “Statutory and general information—Share Schemes” in Appendix V
“2021 ESOP”	the post-IPO share option scheme conditionally approved and adopted by our Company on March 16, 2021, the principal terms of which are set out in “Statutory and general information—Share Schemes” in Appendix V
“Accountants’ Report”	the audited consolidated financial statements of our Company for the Track Record Period, as included in Appendix I
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on March 16, 2021 with effect from the Listing Date
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Bairong”, “Onshore Holdco” or “variable interest entity”	Bairong Yunchuang Technology Co., Ltd. (百融雲創科技股份有限公司), a company established in China with limited liability on March 19, 2014 and a Consolidated Affiliated Entity of our Company
“Board”	the board of Directors
“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
“Cayman Companies Act”	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CBIRC”	the China Banking and Insurance Regulatory Commission
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

DEFINITIONS

“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, and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Class A Share(s)”	class A ordinary share(s) in the share capital of our Company with a par value of US\$0.00002 each, following the Share Subdivision, conferring weighted voting rights in our Company such that a holder of a Class A Share is entitled to ten votes per share on any resolution tabled at the Company’s general meetings, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
“Class B Share(s)”	class B ordinary share(s) in the share capital of our Company with a par value of US\$0.00002 each, following the Share Subdivision, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meetings
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”, “our Company”, or “the Company”	Bairong Inc., a company with limited liability incorporated in the Cayman Islands on June 21, 2018
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Affiliated Entity(ies)”	Onshore Holdco and its subsidiaries and affiliated entities, the financial accounts of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of the Contractual Arrangements
“Contractual Arrangement(s)”	the series of contractual arrangements entered into between, among others, the WFOE, the Onshore Holdco and the then Registered Shareholders, as detailed in “Contractual Arrangements” and as amended, restated, renewed, reproduced or joined from time to time
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Zhang and the direct and indirect companies through which Mr. Zhang has an interest in the Company, namely Genisage Tech Inc., Genisage Holdings Limited, GeniAI Tech Ltd. and RongXing Trust

DEFINITIONS

“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of our Company
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
“Frost & Sullivan Report”	the report prepared by Frost & Sullivan
“Global Offering”	the Hong Kong Offering and the International Offering
“Governmental Authority”	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organisation, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider designated by our Company
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company, its subsidiaries and the Consolidated Affiliated Entities (the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements) from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”, “HK dollars” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong Offer Shares”	the 12,383,000 Class B Shares being initially offered for subscription in the Hong Kong Offering (subject to reallocation as described in “Structure of the Global Offering”)
“Hong Kong Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this document, as

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	further described in “Structure of the Global Offering—The Hong Kong Offering”
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Takeovers Code” or “Takeovers Code”	Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC
“Hong Kong Underwriters”	the underwriters of the Hong Kong Offering as listed in “Underwriting—Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement, dated March 18, 2021, relating to the Hong Kong Offering, entered into by our Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in “Underwriting—Underwriting arrangements and expenses—Hong Kong Offering—Hong Kong Underwriting Agreement”
“ICP licence”	the value-added telecommunications business operating licence for internet information service
“IFRS”	International Financial Reporting Standards, as issued by the International Accounting Standards Board
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules
“International Offer Shares”	the 111,439,500 Class B Shares being initially offered for subscription under the International Offering together, where relevant, with any additional Class B Shares that may be sold pursuant to any exercise of the Over-allotment Option (subject to reallocation as described in “Structure of the Global Offering”)
“International Offering”	the conditional placing of the International Offer Shares 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 the registration requirements under the U.S. Securities Act, as further described in “Structure of the Global Offering”
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement, expected to be entered into on or about March 24, 2021, relating to the International Offering, by, among others, our Company, the Joint Global Coordinators and the International Underwriters, as further described in “Underwriting—International Offering”

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“Joint Bookrunners”, “Joint Global Coordinators”, “Joint Lead Managers”	the joint bookrunners, the joint global coordinators, and the joint lead managers as named in “Directors and parties involved in the Global Offering”
“Joint Sponsors”	the Joint Sponsors of the Listing as named in “Directors and parties involved in the Global Offering”
“Latest Practicable Date”	March 12, 2021, being the latest practicable date for ascertaining certain information in this document before its publication
“Laws”	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgements, decrees, or rulings of any Governmental Authority (including the Stock Exchange and the SFC) of all relevant jurisdictions
“Liming”	Liming Insurance Brokers Co., Ltd. (黎明保險經紀有限公司), a company established in China with limited liability on April 21, 2014 and a Consolidated Affiliated Entity of our Company
“Listing”	the listing of the Class B Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about March 31, 2021, on which the Class B Shares are to be listed and on which dealings in the Class B Shares are to be first permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“M&A Rules”	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company conditionally adopted on March 16, 2021, with effect from the Listing Date
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry of the PRC (中華人民共和國信息產業部))
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部) (formerly known as the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部))

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“Mr. Zhang” or “WVR Beneficiary”	Mr. Zhang Shaofeng (張韶峰), our founder, executive Director, chairman, chief executive officer and Controlling Shareholder, as well as the holder of the Class A Shares entitling him to weighted voting rights as detailed in “Share capital—Weighted voting rights structure”
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in “Structure of the Global Offering—Pricing of the Global Offering”
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares, being Class B Shares, together, where relevant, with any additional Class B Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
“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 for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Offering, to require our Company to allot and issue up to 18,573,000 additional Class B Shares (representing in aggregate 15% of the initial Offer Shares) to the International Underwriters to, cover over-allocations in the International Offering, if any, details of which are described in “Structure of the Global Offering—Over-allotment Option”
“PRC Legal Adviser”	Commerce & Finance Law Offices, our legal adviser on PRC laws
“Pre-IPO Investment(s)”	the investment(s) in our Company undertaken by the Pre-IPO Investors prior to this initial public offering, the details of which are set out in “History, reorganisation, and corporate structure”
“Pre-IPO Investor(s)”	the investors in our Company prior to our Listing, as set out in “History, reorganisation, and corporate structure”, being IDG-Accel China Growth Fund III L.P., IDG-Accel China III Investors L.P., Absolute Capital Limited, Max Elegant Limited, GCBR Holdings Limited, HH BR-I Holdings Limited, HH BR-III Holdings Limited, Tianjin Huaxing Fengrong Technology Development Partnership (L.P.), BLKR Holdings Limited, Orient Hg Equity Investment Co., Ltd, Maggie & Tony Limited, Baywise Capital Limited Partnership, Sunkiss Capital International Holdings Limited, Qianhai Golden Bridge IV LP, Wu Capital Limited, HH BR-II Holdings Limited, CRF Summit Investment Limited, Waterdrop Investment Limited, and Dynasty Star Ventures Ltd
“Pre-IPO Preferred Shares”	the Series A Preferred Shares, the Series B Preferred Shares, the Series B+ Preferred Shares, the Series C Preferred Shares and the Series C+ Preferred Shares

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“Price Determination Date”	the date, expected to be on or about March 24, 2021 and in any event no later than March 30, 2021, on which the Offer Price is to be fixed for the purposes of the Global Offering
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Registered Shareholders”	the registered shareholders of the Onshore Holdco from time to time; the current registered shareholders are identified in “Contractual Arrangements”
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate restructuring of the Group in preparation for the Listing, as described in “History, reorganisation, and corporate structure—Reorganisation”
“Reserved Matters”	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being: (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares; (ii) the appointment, election or removal of any independent non-executive Director; (iii) the appointment or removal of the Company’s auditors; and (iv) the voluntary liquidation or winding-up of the Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Series A Preferred Share(s)”	the series A convertible redeemable preferred share(s) of our Company, with a par value of US\$0.0001 each
“Series B Preferred Share(s)”	the series B convertible redeemable preferred share(s) of our Company, with a par value of US\$0.0001 each
“Series B+ Preferred Share(s)”	the series B+ convertible redeemable preferred share(s) of our Company, with a par value of US\$0.0001 each
“Series C Preferred Share(s)”	the series C convertible redeemable preferred share(s) of our Company, with a par value of US\$0.0001 each

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“Series C+ Preferred Share(s)”	the series C+ convertible redeemable preferred share(s) of our Company, with a par value of US\$0.0001 each
“SFC”	Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Class A Shares and Class B Shares in the share capital of our Company
“Share Schemes”	the 2019 ESOP and the 2021 ESOP
“Share Subdivision”	the subdivision of each issued and unissued ordinary share of US\$0.0001 par value each of the Company into 5 ordinary shares of US\$0.00002 par value each to be effected following the reclassification and redesignation of all the issued and unissued Pre-IPO Preferred Shares into ordinary shares of US\$0.0001 each on the Listing Date and immediately prior to Listing
“Shareholder(s)”	holder(s) of our Share(s)
“Stabilisation Manager”	Morgan Stanley Asia Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or around the Price Determination Date between GCBR Holdings Limited and the Stabilisation Manager
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Track Record Period”	the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020
“U.S.”, “US” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollars”, “US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. SEC”	the Securities and Exchange Commission of the United States
“U.S. Securities Act”	United States Securities Act of 1933 and the rules and regulations promulgated thereunder
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“VAT”	value-added tax

DEFINITIONS

“weighted voting right” or “WVR”	has the meaning ascribed to it under the Listing Rules
“WFOE”	Tianjin Bairong Technology Co., Ltd. (天津百融科技有限公司), a company established in China on August 14, 2018 and a wholly owned subsidiary of our Company
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the designated website of the White Form eIPO Service Provider at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“WVR structure”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain technical terms used in this document in connection with us and our business. These may not correspond to standard industry definitions, and may not be comparable to similarly terms adopted by other companies.

“AI”	artificial intelligence
“AI-powered algorithms”	an algorithm is a set of well-defined rules or instructions that a computer can execute. AI-powered algorithms are capable of learning from data, can enhance themselves by learning new rules of thumb that have worked well in past scenarios, or can themselves write other algorithms
“automatic real-time analytics”	automatic real-time analytics is the discipline that applies logic and algorithms to data to provide insights for making on-demand or continuous decisions in a timely manner
“Banyan”	the Company’s proprietary financial product recommendation platform
“big data”	large and diverse data sets able to uncover hidden patterns, unknown correlations, market trends, customer preferences and other useful information assets under new processing model for greater decision-making power, insight and processing optimization capabilities
“CAGR”	compound annual growth rate
“cloud-native”	an approach to building and running applications that exploits the advantages of cloud computing, where each part of the application is packaged in its own container, dynamically orchestrated so each part is actively scheduled and managed to optimise resource utilisation, and microservices-oriented to increase the overall agility and maintainability of applications. Cloud native technologies empower organisations to build and run scalable applications in modern, dynamic environments such as public, private, and hybrid clouds
“consumer profile”	a group of tags or labels used to depict an individual consumer in our proprietary database and each consumer profile corresponds with a separate consumer
“data labels”	elements that describe individual data points. Labelling typically takes a set of unlabelled data and augments each piece of it with informative tags
“distributed relationship mapping system”	a system that provides a structure and common interface for the data labels in our database and enables the creation of smart multilateral relations throughout our database. The distributed relationship mapping system helps machine learning build contextual results, by capturing the relationships between various data points
“FSP”	financial services provider

GLOSSARY OF TECHNICAL TERMS

“FSP clients”	FSPs to which we provide our products and services, including paying FSPs whom we charge fees and non-paying FSPs who use our basic services free of charge as part of our promotional efforts
“Hadoop cluster”	A Hadoop cluster is a collection of computers, known as nodes, that are networked together to perform parallel computations on big data sets. Unlike other computer clusters, Hadoop clusters are designed specifically to store and analyse mass amounts of structured and unstructured data in a distributed computing environment. Further distinguishing Hadoop ecosystems from other computer clusters are their unique structure and architecture. Hadoop clusters consist of a network of connected master and slave nodes that utilise high availability, low-cost commodity hardware. The ability to linearly scale and quickly add or subtract nodes as volume demands makes them well-suited to big data analytics jobs with data sets highly variable in size
“IP”	intellectual property
“IT”	information technology
“JSON”	JavaScript Object Notation, an open standard and data interchange file format
“Key FSP clients”	licenced financial institutions that each contributes more than RMB300,000 total revenue in a given year
“Key FSP client retention rate”	the percentage of the Key FSP clients we have in a given year that we continue to retain during the next twelve months
“KV storage”	key value storage
“machine learning”	Machine learning (ML) is the study of computer algorithms that improve automatically through experience. It is seen as a subset of artificial intelligence
“net dollar expansion rate”	a fraction, the denominator of which is the revenue contribution from Key FSP clients in one given year and the numerator of which is the contribution from the same group of Key FSP clients in the following year, expressed as a percentage
“paid subscription”	In the context of our business, paid subscription by an FSP client in the context of our business means (i) a subscription based on usage, without an initial or recurring fee or (ii) an annual subscription that offers a standardised package with a pre-determined number or unlimited number of requests such FSP client may use during the term of the related service agreement
“paying FSP clients”	FSP clients that had a paid subscription of our products and services and contributed to our revenue during the Track Record Period
“SLA”	service-level agreement

GLOSSARY OF TECHNICAL TERMS

“stream computing”

stream computing means pulling in streams of data, processing the data and streaming it back out as a single flow. Stream computing uses algorithms that analyses the data in real time as it streams in to increase speed and accuracy when dealing with data handling and analysis

FORWARD-LOOKING STATEMENTS

Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as ‘will’, ‘expect’, ‘anticipate’, ‘estimate’, ‘believe’, ‘going forward’, ‘ought to’, ‘may’, ‘seek’, ‘should’, ‘intend’, ‘plan’, ‘projection’, ‘could’, ‘vision’, ‘goals’, ‘aim’, ‘aspire’, ‘objective’, ‘target’, ‘schedules’, and ‘outlook’) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our ability to control costs and expenses;
- our ability to identify and satisfy user demands and preferences;
- our ability to maintain good relationships with business partners;
- the actions and developments of our competitors;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate; and
- all other risks and uncertainties described in “Risk factors”.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

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

RISK FACTORS

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

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

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating our corporate structure; (iii) risks relating to doing business in China; (iv) risks relating to our WVR structure; and (v) 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 the ones discussed in this section.

Risks Relating to Our Business and Industry

We operate in a rapidly evolving market, which makes it difficult to evaluate our future prospects.

The market for big data analytics, marketing and distribution products and services is rapidly evolving and may not develop as we anticipate, which makes it difficult to evaluate our future prospects. The regulatory framework governing our business is also evolving and will likely remain uncertain for the foreseeable future. As our business develops, we may modify our business model or change the products and services we offer. These changes may not achieve expected results and may have material and adverse impacts on our financial condition and results of operations.

You should consider our business and future prospects in light of the risks and challenges we may encounter, including, among other things, our ability to:

- enhance our data analytical capabilities;
- provide diversified and distinguishable products and services to our clients;
- enhance our cooperation with more data partners and expand data access;
- expand our client base and improve client engagement across platforms;
- improve our operational efficiency;
- maintain a reliable, secure, high-performance and scalable technology infrastructure;
- attract, retain and motivate talented employees;
- anticipate and adapt to changing market conditions, including technological developments and changes in the competitive landscape; and
- navigate an evolving and complex regulatory environment.

RISK FACTORS

If we fail to address any of these risks and challenges, our business and financial condition may be materially and adversely affected.

We face challenges from the evolving regulatory environment and user attitude towards data privacy and protection.

We operate in industries where the regulatory environment for data privacy and protection is evolving. We cannot assure you that relevant governmental authorities will not interpret or implement the laws or regulations in ways that negatively affect the data analytics industry, our data providers, our clients and us. Regulatory investigations, restrictions, penalties and sanctions, whether targeted at us or not, may negatively affect the market environment, our data providers, existing or potential clients and our products and services, which may in turn have a material adverse effect on our business, results of operations and financial condition. It is also possible that we may become subject to additional or new laws and regulations regarding data privacy and protection in connection with the data we have access to and the data products and services we provide to our FSP clients. Moreover, we may become subject to regulatory requirements as a result of utilisation of our products and services by residents of, or travellers who visit, certain jurisdictions, such as the General Data Protection Regulation of the European Union, or the GDPR. Complying with additional or new regulatory requirements could force us to incur substantial costs or require us to change our business practises.

Notably, on May 28, 2019, Draft Measures on Administration of Data Security (數據安全管理辦法(徵求意見稿)) (the “**Draft Data Security Measures**”) were issued by the Cyberspace Administration of China (the “CAC”) along with an invitation for submissions in a public consultation. The Draft Data Security Measures will constitute a binding regulation when finally issued and implemented, and will apply to both personal and other important data, and to network operators including the owners and administrators of networks as well as network service providers. See “Regulation” for a detailed description of the Draft Data Security Measures. Once implemented, the Draft Data Security Measures will likely become a major influence on the data compliance activities of network operators, including us. For example, we may need to revisit our current privacy policies in order to comply with all requirements under the Draft Data Security Measures. In addition, as a network operator who collects important data and/or sensitive personal data for business operation, we may need to implement process changes internally in order to comply with the new filing procedure required by the Draft Data Security Measures. Furthermore, although the Draft Data Security Measures constitute important legislative progress in relation to the data privacy regime in the PRC, they still leave some significant areas to be clarified. For example, key issues such as how the filing procedure will be performed and how to resolve the potential conflict between the Draft Data Security Measures and the PRC Cyber Security Law in relation to the requirements for important data localization still need to be clarified.

On July 3, 2020, the Draft PRC Data Security Law (中華人民共和國數據安全法(草案)) (the “**Draft Data Security Law**”), was released by the NPC for public consultation. Once officially issued, the Draft Data Security Law will apply to all “data activities”, which include data collection, storage, processing, use, provision and publication, carried out within the territory of the PRC. See “Regulation” for a detailed description of the Draft Data Security Law. It is not clear under the Draft Data Security Law what constitutes “important data” or “data transaction intermediary services”. If we are deemed to collect “important data” or to provide “data transaction intermediary services”, we may need to implement internal changes in order to comply with the Draft Data Security Law.

On October 21, 2020, the NPC published a Draft Personal Data Protection Law (中華人民共和國個人信息保護法(草案)) (the “**Draft PDPL**”) for public consultation. If officially adopted, this Draft PDPL will become China’s first national-level piece of legislation on personal data protection. Echoing not

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only the existing personal data protection provisions scattered under the PRC Cyber Security Law, the Civil Code and the Draft Data Security Law, this Draft PDPL also aims to enhance personal data protection by codifying into law the best practises from home (e.g., the national standards on Personal Information Specification) and abroad (e.g., GDPR). See “Regulation” for a detailed description of the Draft PDPL.

We provide data analytic services to our FSP clients and we believe we are a third party entrusted by our FSP clients to process personal data because it is our FSP clients who independently determine the data processing purpose and data processing manner. The Draft PDPL does not propose specific obligations on the party like us who is entrusted by the personal data processor to process personal data except that we need to process the personal data in compliance with the data processing agreements with the personal data processor, return personal data to personal data processor or delete such data and not further outsource to a third party in the absence of a personal data processor’s consent.

As an entrusted third party not directly interacting with data subjects, we rely on our FSP clients to comply with various data protection and compliance requirements under the Draft PDPL, such as giving specific information to data subjects and obtaining their consents before processing activities, disclosing us as an authorised third party to process personal data, authorizing us to provide personal information to other third party data suppliers in case we need to purchase data analytic service and obtain data subject’s separate consents. Substantially all of our FSP clients use our standard template data analytic service agreement which contains proper and sufficient consents from data subject for collection, storage, usage, provision, transmission and sharing to other third party data suppliers with respect to the personal data and be entitled to compensation should our FSP clients fail to obtain proper and sufficient consents. Our contracts with the remaining FSP clients either contain specific data privacy compliance terms similar to our standard template data analytic service agreement, or contain a general compliance with all legal and regulations provision. Although our FSP clients are actively providing comments to relevant authorities, consulting with relevant authorities regarding how the Draft PDPL will be implemented and we believe our FSP clients are willing to adjust their business where necessary to comply with the final version of the Draft PDPL, we cannot guarantee that our FSP clients’ service agreements with their data subject or their data processing activities will actually satisfy the Draft PDPL once it becomes official.

As to our precision marketing services and insurance distribution services, we are a personal data processor which is directly subject to the Draft PDPL. Some aspects of our current practise do not meet the Draft PDPL requirements. For example, our current privacy policies of Banyan and Liming may lack sufficient or detailed information that are specifically required under the Draft PDPL and Liming does not ask for separate consents from data subject or conduct compliance audits periodically as Draft PDPL requires.

Any failure by us, our FSP clients, or our suppliers to comply with the final version of Draft PDPL could subject us to legal proceedings, regulatory actions or penalties, which may damage our reputation and could have a material adverse effect on our business and results of operations. Further, the Draft PDPL might increase our compliance costs which in turn may have negative impacts on our business and results of operations.

In addition to the regulatory requirements, user attitudes towards data privacy and protection are also evolving. Along with people’s greater awareness of the use of personal data by others, their expectations of data privacy and protection are increasing. User concerns about the extent to which personal information is accessible to, used by or shared with our clients or others may adversely affect our ability to gain access to data and provide certain data products and services to our clients. Moreover, if a high profile security breach occurs with respect to other data analytics service providers,

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people may lose trust in the security of data analytics service providers generally, including us, which could damage the reputation of the industry, result in heightened regulation and strengthened regulatory enforcement and adversely affect our business and results of operations.

We expect that we will continue to face uncertainty as to whether our efforts to comply with evolving obligations under global data protection, privacy and security laws will be sufficient. Any failure or perceived failure by us to comply with applicable laws and regulations could result in reputational damage or proceedings or actions against us by governmental entities, individuals or others. These proceedings or actions could subject us to significant civil or criminal penalties and negative publicity, result in the delayed or halted transfer or confiscation of certain personal information, require us to change our business practises, increase our costs and materially harm our business, prospects, financial condition and results of operations. In addition, our current and future relationships with clients, vendors and other third parties could be negatively affected by any proceedings or actions against us or current or future data protection obligations imposed on them under applicable law, including the GDPR. Furthermore, a data breach affecting personal information could result in significant legal and financial exposure and reputational damage that could potentially have an adverse effect on our business.

Actual or alleged failure to comply with data privacy and protection laws and regulations could materially and adversely affect our business and results of operations.

Our business involves two types of data, namely, personal information and non-personal information (which we refer to as “data labels” in the context of our business). Personal information refers to information that is capable of identifying an individual’s personal identity, such as name and ID number. Non-personal information refers to information that, whether used alone or in combination with other information, cannot be identified to a particular individual, such as consumer spending preferences and social behaviour patterns. We have access to (i) personal information from users on Banyan, our financial product recommendation platform through which our precision marketing services are delivered, and customers of Liming, through which our insurance distribution services are provided; (ii) encrypted personal information provided by our FSP clients in order for us to provide data analytic services to them; and (iii) non-personal information from our third-party data partners. During the Track Record Period, we had not experienced any data security breach. We experienced several failed cyberattacks to gain unauthorised access to our system, which did not have any impact on our data security, technology infrastructure and results of operations.

China’s laws and regulations on data privacy and the use of personal information are relatively new and still evolving. These laws and regulations primarily include the PRC Cyber Security Law (中華人民共和國網絡安全法) (effective since June 1, 2017), the Interpretation of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens (最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋) (effective since June 1, 2017), and Provisions on Protection of Personal Information of Telecommunication and Internet Users (電信和互聯網用戶個人信息保護規定) (effective since September 1, 2013). Pursuant to these laws and regulations, an internet information service provider is required to obtain a user’s consent to collect and use the user’s personal information, and is prohibited from gathering personal information unrelated to its services. The internet information service provider must also (i) explicitly inform the user of the purposes, methods and scope of the information collection and uses and (ii) establish a user information protection system with appropriate remedial measures. See “Regulations—Regulations on Internet Information Security and Privacy Protection”. The PRC Cyber Security Law provides monetary (fines up to RMB1,000,000

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or one to ten times of the illegal income, where applicable), criminal and administrative (suspension and removal of business licence) penalties for violations.

Although we have not been subject to any sanctions or penalties relating to violations of personal information throughout our operating history, we cannot guarantee our existing data privacy and protection system and technical measures are sufficient to protect us from potential risks and uncertainties. First of all, we do not have full control over the parties we work with. We cannot guarantee that all the individuals' consents have been properly obtained because (i) a few of the agreements with our FSP clients do not contain guarantee provisions ensuring proper and sufficient consents with respect to personal information or compliance with laws and regulations; (ii) we cannot guarantee that all of our FSP clients have obtained all the consents from their customers, or any consents obtained by our FSP clients from their customers are sufficient enough for our collection, storage, use, processing, disclosure and transfer of personal information in relation to our provision of services to our FSP clients; and (iii) we cannot guarantee our third-party data partners have obtained proper and sufficient individuals' consents in collecting and using personal information and providing data services to us. In addition, the relevant laws and regulations are new and therefore subject to the interpretation by regulatory authorities. For example, the definition for "personal information" under the PRC Cyber Security Law means "information that is capable of identifying an individual's personal identity, either using alone or in combination with other information". We get access to tags or labels or other forms of data provided by our third-party data partners. We also collect, store, process, use and transfer tags or labels or other forms of data when providing services to our FSP clients. If the PRC Cyber Security Law and related data privacy and protection laws and regulations deem any of such data to be "personal information", we may be required to obtain individuals' proper and sufficient consents. Furthermore, our current policies and measures may be rendered insufficient if the laws and regulations change or additional or heightened laws and regulations regarding personal information are imposed.

Any failure or perceived failure by us or our business partners to comply with any applicable data privacy and protection laws and regulations, or any failure by our employees to comply with our relevant internal policies and measures, could subject us to legal proceedings, regulatory actions or penalties. The foregoing failures may also damage our reputation, and discourage current and potential clients from using our services. Any of these could have a material adverse effect on our business and results of operations.

We may not be able to compete successfully with our current or future competitors.

We operate in a highly competitive market. See "Business—Competition". According to Frost & Sullivan, in 2019, the total revenue of big data analytics services market for financial services industry in China was RMB109.3 billion, and a total amount of RMB32.3 billion was spent on financial risk management and RMB77.0 billion for customer life cycle management, which includes both new customer acquisition and existing customer management. It is expected that big data analytics services market will continue to experience a rapid growth from 2019 to 2024, reaching RMB252.4 billion in 2024 with a CAGR of 18.2%. There are three types of competitors in financial big data analytics services market in China, including independent financial big data analytics solution providers, non-independent financial big data analytics solution providers and credit bureaus. There is no guarantee that FSP clients would choose our products and services over those offered by non-independent financial big data analytics solutions providers and credit bureaus. If we are unable to anticipate or effectively react to any competitive challenges, our competitive position could be weakened, and we could experience a decline in our growth rate or revenue that could adversely affect our business and results of operations.

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Some of our existing competitors, especially the competitors for our data products and services have, and our potential competitors could have, substantial competitive advantages.

We may not compete successfully against our current or potential competitors. If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, financial condition and results of operations could be adversely affected. In addition, companies competing with us may have an entirely different pricing or distribution model. Increased competition could result in fewer client subscriptions and transactions, price reductions, reduced operating margins and loss of market share. Although during the Track Record Period, we believe we were successful in retaining our FSP clients, in particular, our Key FSP clients, there is no assurance that we will be able to compete successfully against our competitors in retaining FSP clients in the future. We had a Key FSP client retention rate of 89% in 2019 and of 96% in 2020 and had an FSP client retention rate of 61% and 54% in 2019 and 2020, respectively. If we lose our FSP clients, in particular Key FSP clients, to our competitors, our business, financial condition and results of operations could be adversely affected. Further, we may be required to make substantial additional investments in research, development, marketing and sales in order to respond to such competitive threats, and we cannot assure you that we will be able to compete successfully in the future.

Our data analytics capabilities and technologies may not be superior to our competitors, and the rapid commoditisation of big data and AI technologies in various industries may adversely impact our competitive advantages.

Our data analytics capabilities and technologies may not be superior to our competitors continuously. Furthermore, our business model and our AI and big data technologies may become commoditised and our products and services may be replicated by our competitors, requiring us to constantly update and improve the quality of our services in order to remain competitive. If we fail to do so, it will be difficult for us to differentiate ourselves from the intense competition and we may lose our customer base. Also, the rapid commoditization of our big data and AI technologies in various industries may adversely impact our competitive advantages and our ability to retain our FSP clients if we fail to successfully differentiate our services and products from our competitors.

If we are deemed to engage in a personal credit reporting business and violate any PRC laws or regulations governing personal credit reporting businesses, our business, financial condition, results of operations and prospects could be materially and adversely affected. In particular, we are subject to uncertainties surrounding the 2021 Draft Measures for Credit Reporting Business, the implementation of which may have an adverse impact on our business, financial condition and results of operations.

The PRC government has adopted several regulations governing personal credit reporting businesses. These regulations include the Regulation for the Administration of Credit Reporting Industry (徵信業管理條例), enacted by the State Council and became effective in March 2013, and the Management Rules on Credit Agencies (徵信機構管理辦法), issued by the PBOC, in the same year. According to the Regulation for the Administration of Credit Reporting Industry, “credit reporting business” means the activities of collecting, organising, storing and processing “credit information” of individuals and enterprises, as well as providing such information to others, and a “credit reporting agency” refers to a duly established agency whose primary business is credit reporting.

Entities or individuals shall not engage in personal credit reporting business without the approval by the PBOC. Entities engaged in personal credit reporting business without such approval may be subject

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to penalties, including ban of business, confiscation of revenues related to individual credit reporting business, fines of RMB50,000 to RMB500,000 or criminal liabilities.

On January 11, 2021, the PBOC released the 2021 Draft Measures for Credit Reporting Business (Draft) (徵信業務管理辦法 (徵求意見稿)) (the “**2021 Draft**”) for public consultation. The 2021 Draft defines “credit information” as information that “serves the financial and economic activities and is used to determine individuals and enterprises credit status, which including but not limited to, identity, address, transportation, communication, debt, property, payment, consumption, production, performance of statutory obligations, and information originated from analysis and evaluation of credit status of individuals and enterprises based on the foregoing information”. The 2021 Draft also requires, among other things, that information processors who collaborate with credit reporting agencies shall enter into cooperation agreements and file such cooperation agreements with the PBOC or its provincial counterparts.

The 2021 Draft applies to entities that carry out credit reporting business and “activities relating to credit reporting business” in China as well as such activities carried out outside China but targeting Chinese residents. Separately, entities providing “credit reporting function services” in the name of “credit information service, credit service, credit evaluation, credit rating, credit repair, etc.” are also subject to the 2021 Draft.

According to Regulation for the Administration of Credit Reporting Industry (徵信業管理條例) issued by the State Counsel in 2013, “credit reporting business” refers to activities of collecting, organising, storing and processing “credit information” of individuals and enterprises, as well as providing such information to others. Entities or individuals engaging in individual credit reporting business shall obtain a licence from the PBOC.

The 2021 Draft was released for public consultation only, and significant uncertainties exist with respect to its enactment timetable, interpretation and implementation. For example, the 2021 Draft does not specify what constitutes “activities relating to credit reporting business”. It is also silent on what activities may be deemed as “credit reporting function services”. Further, the 2021 Draft does not deny the legitimacy of existing data analytics and/or precision marketing service providers in the financial services industry, nor does it provide a clear guidance or execution rules on how and when these providers, if deemed to be conducting credit reporting business, could apply for required licences or otherwise comply with the 2021 Draft.

If the 2021 Draft is promulgated in its current form, and if we are found to be carrying out credit reporting business or credit reporting function services by the PRC authorities, we may be required to obtain an individual credit reporting business licence or pursue other avenue to ensure compliance. We will closely monitor and assess the trajectory of the rule-making process. In the event that a final version of the 2021 Draft is adopted and in light of its significant uncertainties, we may incur significant costs and expenses in an effort to address its requirements and to make necessary changes to our policies and practices, including obtaining an individual credit reporting business licence or if we are deemed as an information processor, we may be required to collaborate with a licensed credit reporting agency and file agreements with the PBOC or its provincial counterparts. Any failure or perceived failure by us to comply with the enacted version of the 2021 Draft and other related laws and regulations in the future could have an adverse effect on our business, financial condition and results of operations. Based on its understanding and analysis of the 2021 Draft, as currently drafted, and the existing related administrative regulations governing credit reporting agencies, our PRC Legal Adviser is of the opinion that we are unlikely to be treated as a credit reporting agency and our businesses are unlikely to be treated as credit reporting services or activities. Accordingly, we are unlikely to be

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required to obtain a personal credit reporting license from the PBOC under the 2021 Draft, assuming it will be enacted in its current form. In the unlikely event that regulatory authorities conclude that the 2021 Draft applies to our existing businesses and we fail to obtain a personal credit reporting license, we are of the view that (i) our project-based products and services under our data analytics services, precision marketing services and insurance distribution services, which accounted for 56.6% of our total revenue in the nine months ended September 30, 2020, will not be affected, and (ii) certain other products and services under our data analytics services may be affected, and the extent and degree of the impact on the specific products and services under our data analytics services, if any, depends on the specific interpretation and implementation of the 2021 Draft. Our project-based products and services provide FSP clients with localised software, such as smart decision engines software suite, and model training tools, allowing FSP clients to obtain functionality of a sophisticated risk management system tailored to their specific customer base and financial product offerings without heavy upfront investments. The project-based products and services are essentially implementations of IT systems at FSP clients and earn revenue according to achievement of system implementation milestones. Given the nature of our project-based products and on the assumption that the 2021 Draft will be enacted in its current form, we are of the view that, such products and services will not be treated as credit reporting services. At this stage, given the 2021 Draft has not come into effect and there is no specific interpretation and implementation of the 2021 Draft, we are unable to estimate or quantify the impact of the 2021 Draft on the specific products and services that may be affected. In addition, in the unlikely event that regulatory authorities conclude that the 2021 Draft applies to our existing businesses and we are compelled to collaborate with other licensed personal credit reporting agencies, we estimate that the performance of our data analytics services may be affected depending on the specific collaboration arrangements with the licensed personal credit reporting agencies. At this stage, we are unable to estimate or quantify the impact of such collaborations, if any, on the performance of our data analytics services.

Our historical growth is not indicative of our future performance, and if we fail to manage our operations and expenses during our rapid expansion, our business, results of operations and financial condition could be harmed.

We have experienced, and may continue to experience, rapid growth in our business, which will continue to place significant demands on our management, operational and financial resources. Our revenue increased significantly from RMB354.0 million for the year ended December 31, 2017 to RMB858.5 million for the year ended December 31, 2018 and further to RMB1,261.9 million for the year ended December 31, 2019. Our net loss decreased by 48.5% from RMB353.5 million for the year ended December 31, 2017 to RMB181.9 million for the year ended December 31, 2018, and further decreased by 48.3% to RMB94.1 million for the year ended December 31, 2019. Our historical results and growth may not be indicative of our future performance, and we may fail to continue our growth or maintain our historical growth rates. Primarily due to the impact of COVID-19 on our business and the financial services industry in general, we experienced a decline in our revenues and an increase in net loss in the nine months ended September 30, 2020.

We may encounter difficulties as we expand our operations, data and technology, sales and marketing, and general and administrative functions. We expect our expenses to continue to increase in the future as we acquire more clients and users, launch new technology development projects and build additional technology infrastructure. Our expenses may grow faster than our revenue, and our expenses may be greater than we anticipate. Continued growth could also strain our ability to maintain the quality and reliability of our products and services, develop and improve our operational, financial, legal and management controls, and enhance our reporting systems and procedures. We may expand into geographic areas where we do not have experience with local regulations or regulators or where

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local market conditions are unfavourable for our business model. Managing our growth will require significant expenditures and allocation of valuable management, operational, financial and human resources. If our organisation fails to achieve the necessary level of efficiency as it grows, our business, results of operations and financial condition could be harmed.

We have incurred net losses negative operating cash flow, net liabilities and net current liabilities in the past, which we may continue to experience in the future.

We have incurred losses in the past. In 2017, 2018 and 2019 and for the nine months ended September 30, 2020, we had net losses of RMB353.5 million, RMB181.9 million, RMB94.1 million and RMB115.9 million, respectively. In addition, we had cash used in operating activities of RMB144.7 million in 2017 while having cash generated from operating activities of RMB55.7 million, RMB63.0 million and RMB98.9 million in 2018, 2019 and for the nine months ended September 30, 2020. We cannot assure you that we will be able to generate net profits or positive cash flow from operating activities in the future. Our ability to achieve profitability depends in large part on our ability to manage (i) our research and development expenses, which accounted for 39.2%, 20.6%, 17.2% and 19.8% of our total revenue in 2017, 2018 and 2019 and for the nine months ended September 30, 2020, respectively, (ii) our general and administrative expenses, which accounted for 27.2%, 20.2%, 17.5% and 18.1% of our total revenue in 2017, 2018 and 2019 and for the nine months ended September 30, 2020, respectively and (iii) our sales and marketing expenses, which accounted for 23.5%, 38.0%, 44.9% and 40.8% of our total revenue in 2017, 2018 and 2019 and for the nine months ended September 30, 2020, respectively. We intend to manage our research and development expenses, general and administrative expenses and sales and marketing expenses, but there can be no assurance that we will achieve this goal, and we may continue to experience losses in the future. In addition, there are other factors that could negatively affect our financial condition. For example, if regulatory authorities promulgate new laws, regulations and regulatory requirements that limit our business operations, especially with regard to our fee or cost model, our results of operations will be adversely affected.

Furthermore, we expect to incur additional legal, accounting and other expenses that we did not incur as a private company. We may incur significant losses for a number of reasons, including the other risks described in this document, and unforeseen expenses, difficulties, complications and delays and other unknown events. If we are unable to achieve or sustain profitability, our share price may decrease significantly.

We had net liabilities of RMB989.8 million, RMB1.1 billion, RMB1.2 billion and RMB1.3 billion as of December 31, 2017, 2018, 2019 and as of September 30, 2020, respectively, primarily due to the redeemable convertible preferred shares of RMB1.3 billion, RMB1.9 billion, RMB2.1 billion and RMB2.2 billion as of December 31, 2017, 2018 and 2019 and as of September 30, 2020, resulting from our multiple rounds of Pre-IPO Investments and the fair value changes of the redeemable convertible preferred shares. Our redeemable convertible preferred shares would be reclassified from liabilities to equity as a result of the automatic conversion into our Shares upon the Listing. Afterwards, we do not expect to recognise any further loss or gain on fair value changes from the convertible redeemable preferred shares and may revert back to a net assets position from a net liabilities position. Net liabilities position can expose us to the risk of shortfalls in liquidity. This in turn would require us to undertake additional equity financing, which could result in dilution of your equity interests, or to seek debt financing, which may not be available on terms favourable or commercially reasonable to us or at all. Any difficulty or failure to meet our liquidity needs as and when needed can have a material adverse effect on our prospects.

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We had net current liabilities of RMB1.4 billion and RMB1.4 billion as of December 31, 2019 and as of September 30, 2020, respectively, primarily due to the redeemable convertible preferred shares of RMB2.1 billion and RMB2.2 billion as of December 31, 2019 and as of September 30, 2020, resulting from the fair value changes of the redeemable convertible preferred shares. Our redeemable convertible preferred shares would be reclassified from liabilities to equity as a result of the automatic conversion into our Shares upon the Listing. Afterwards, we may revert back to a net current assets position from a net current liabilities position. There can be no assurance that we will not experience liquidity problems in the future. If we fail to generate sufficient revenue from our operations, or if we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business, operations and capital expenditure and our business and financial position will be adversely affected.

If we fail to develop and innovate our products and services, our business, financial performance and prospects may be materially and adversely affected.

The attractiveness of our products and services depends on our ability to innovate. To remain competitive, we must continue to develop and expand our product and service offerings. We must also continue to enhance and improve our data analytical capabilities, platform interface and technology infrastructure. These efforts may require us to develop internally of, or to obtain licence for, increasingly complex technologies. In addition, new products and services and technologies developed and introduced by competitors could render our products and services obsolete if we fail to upgrade existing products, services and technologies. Developing and integrating new products, services and technologies into our existing platform and infrastructure may be expensive and time-consuming. Furthermore, any new features and functions may contain undetected errors and may not achieve market acceptance at introduction. We may experience delays while developing and introducing new products and services for a variety of reasons, some of which may be beyond our control, such as difficulties in developing models, acquiring data and adapting to particular operating environments. We may not succeed in incorporating new technologies, or may incur substantial expenses in order to do so. If we fail to develop, introduce, acquire or incorporate new features, functions or technologies timely and effectively, our products and services may lose appeal, be rejected or experience delayed acceptance by the market. Consequently, our business, financial performance and prospects could be materially and adversely affected.

Our business could be materially and adversely harmed by the tightening of laws, regulations or standards in the financial services industry that affect financial institutions or non-financial institutions.

As of September 30, 2020, we had served more than 4,200 FSP clients in China since our founding, including substantially all of China's national banks, more than 650 regional banks, substantially all of China's consumer finance companies, over 90 major insurance companies and a variety of other FSPs. The financial service industry in China is highly regulated, and financial institutions are subject to a myriad of regulations, many of which are rapidly evolving. In particular, PRC regulatory authorities have in recent years tightened regulations with respect to conducting online financing business. For example, the CBIRC published the Interim Measures for the Administration of Internet Loans of Commercial Banks (商業銀行互聯網貸款管理暫行辦法) in July 2020 (the "New Online Lending Rules"), which stresses the importance of risk data and risk model management and requires commercial banks to build a comprehensive risk management system for online lending business. The New Online Lending Rules also places a strict ban on commercial banks working with third party organisations that have a record of gathering or using personal information in breach of regulations. Third party organisations who fail to pass commercial banks annual assessment will also be prohibited to provide services to commercial banks.

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In addition, in August 2020, the Supreme People's Court issued the Decision on Amending the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定), which amended the upper limit of private lending interest rates under judicial protection (the "**Judicial Interpretation Amendment**"). According to the Judicial Interpretation Amendment, total annual percentage rates (inclusive of any default rate, penalty and any other fee) exceeding four times that of China's benchmark one-year loan prime rate (the "**LPR**") as published on the 20th of each month will not be legally protected. This means the upper limit of one-year private loan would be capped at 15.4%, based on the LPR of 3.85% published on November 20, 2020. Non-financial institutions are subject to the Judicial Interpretation Amendment. Consequently, their businesses may be impacted as they may need to adopt changes to their product offerings for compliance, which in turn may adversely impact their demand of our services.

Further, while the Judicial Interpretation Amendment does not apply to licenced financial institutions, such as national/regional banks and licenced consumer finance companies, there is uncertainty as to the interpretation and implementation of the Judicial Interpretation Amendment. If our clients were deemed to be subject to this Judicial Interpretation Amendment and were required to adopt changes to their product offerings, it will likely adversely affect the business of certain of our clients, which, in turn, could have a negative impact on our business and results of operations.

On November 2, 2020, the People's Bank of China (the "**PBOC**") and the CBIRC issued the draft Interim Measures for the Administration of Online Micro-lending (the "**Draft Online Micro-lending Measures**"). Aiming to enhance the regulation of online micro-lending, the Draft Online Micro-lending Measures, which was open for public feedback until December 2, 2020, proposed, *among other things*, a RMB5 billion registered capital threshold for online micro-lenders that operates across different provincial regions, and a RMB1 billion registered capital threshold for online micro-lenders that only operates within the respective province in which they are established. In addition, the Draft Online Micro-lending Measures also introduces a set of new requirements for online micro-lenders' shareholders, such as the controlling shareholder shall have been profitable for the last two consecutive years and have paid in aggregate no less than RMB12 million in tax. The Draft Online Micro-lending Measures also cap the balance of an online micro-lender through issuance of bonds and asset-backed securities at four times of its net assets and at one time of its net assets if borrowed from its shareholders or banks. The size of loans shall not exceed RMB300,000 for each individual or one-third of the borrower's average annual income for the last three years (whichever is lower), or RMB1 million for each business entity.

Online micro-lending companies that conduct business across the regions will be supervised directly by CBIRC, rather than local authorities and are required to share the borrowers' credit information with credit agencies approved by the central bank or other credit rating system such as the Financial Credit Information Data Centre. Existing online micro-lending companies will have certain transition period (three years for online micro-lenders operates across the provincial regions and one year for other online micro-lenders) to become fully comply with the Draft Online Micro-lending Measures or their online micro-lending licence may be revoked.

We conduct a few trial-based micro-lending transactions primarily to owners of SMEs through one of our subsidiaries. If we cannot be fully in compliance with the final version of the Draft Online Micro-lending Measures at the end the applicable transition period, our online micro-lending licence might be revoked and our online micro-lending business may be banned. For the nine months ended September 30, 2020, our revenue from other services, which primarily arises from our trial-based micro-lending transactions, accounted for 0.1% of our total revenue. We consider these micro-lending

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transactions as trial-based and do not plan to further expand or develop this business. In addition, only a small fraction of our total revenue is generated from our FSP clients which are licenced to conduct, directly or through subsidiaries, online micro-lending businesses. However, new rules, interpretations and/or clarifications and other developments by legal and regulatory authorities may be adopted or announced in the future, requiring us to re-evaluate the impact of the Draft Online Micro-lending Measures on our FSP clients that are micro-lending companies.

If we are not able to continue to broaden data access in the future, our business, results of operations and financial condition could be materially and adversely affected.

We provide big data analytics products and services to FSPs, and gain access to massive data from our clients, third-party data partners and users on our platforms. We use these data to enhance our current data analytical products and services and develop new ones. However, we may not be able to maintain and continuously grow our client base, and FSPs may limit our access to the data of their customers, both of which may hinder our ability to gain access to the data necessary for our development of data analytical products and services. In addition, interruptions, failures or defects in our data access and processing systems, as well as privacy concerns could also limit our ability to analyse data. Furthermore, our accessibility to data may be restricted by new laws and regulations. For each period of the Track Record Period, we had more than 30 third party data partners and we do not rely on a few or a particular set of these third party data partners. Our collaborations with third party data partners are not exclusive. If we are not able to continue to maintain a good relationship with our third party data partners or continue to gain access to extensive data in the future, we may not be able to maintain our competitive strength and effectively offer and improve our existing data products and services or develop new ones that respond to the needs of our clients. Because we derive a substantial portion of our revenue from data products and services, if any of the above events occurs, the growth of our business, results of operations and financial condition may be materially and adversely affected.

We face ethical and reputational risks associated with the use of our AI technology and AI-powered algorithms.

As with many developing technologies, AI presents risks and challenges that could affect its further development, adoption, and use, and therefore our business. Our application of AI technology and AI-powered algorithms may produce biased analysis and discrimination against inquiry subjects in certain stereotypes, such as unequal risk scoring based on racial or cultural background or gender. Inappropriate or controversial data practices by data scientists, engineers, and end-users of our systems could impair the acceptance of AI solutions. If the recommendations, forecasts, or analyses that AI applications assist in producing are deficient or inaccurate, we could be subjected to competitive harm, potential legal liability, and ethical or reputational harm. AI application of certain of our business, such as our smart servicing voicebot, may present ethical issues. If the AI solutions we offer are controversial because of their purported or real impact on human rights, privacy, employment, or other social issues, we may experience ethical or reputational harm and negative corporate social responsibility record and regulatory compliance issues.

If our data labels are out of date, inaccurate or lack credible information, we may not be able to provide quality services for our clients, which could adversely impact our business.

We have access to data from our FSP clients and third-party data partners. We synthesise these multiple sources of data with our big data analytics capabilities. The information on borrower credit risk available in China may be incomplete or unreliable. The information available to us, FSPs and third-party data partners is also limited. We cannot ensure the accuracy and timeliness of the various

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sources of data that we use. For example, our data labels may be out of date, inaccurate or lack credible information. Low quality and inaccurate data could materially affect the accuracy and validity of our data analytical capability, products and services which could adversely affect our reputation, business operations and financial performance.

Our arrangements with FSP clients are typically not exclusive. Failure to maintain relationships with existing FSP clients, especially our major clients, or develop new ones may materially and adversely affect our business and results of operations.

Our relationships with our FSP clients are crucial to our success. We generated substantially all of our revenue from products and services provided to FSPs during the Track Record Period. If we fail to maintain and grow our client base, keep our FSP clients engaged, and expand our products and services offerings, our business growth may not be sustainable. Our arrangements with FSPs are typically not exclusive, and they may have similar arrangements with our competitors. If they are dissatisfied with our products and services, they may terminate their relationships with us and switch to our competitors to seek an exclusive relationship with them. Moreover, they may rely on their in-house capabilities rather than using our services. There can be no assurance that we can maintain relationships with FSPs on commercially acceptable terms. In addition, our relationships with clients, especially our major clients, may be subject to changes due to various factors such as macroeconomic and industry conditions, regulatory environment, and their strategic business adjustments from time to time, among others. We experienced changes in the composition of our top clients during the Track Record Period. Any decrease in revenue from or adverse development of relationships with our clients, especially our top clients, may materially and adversely affect our business operations and financial performance. We may also fail to develop new relationships with additional institutions and companies. As a result, our business, financial performance and prospects may be materially and adversely affected.

We may have conflicts of interests among our three major business lines any may not be able to resolve such conflicts.

Our data analytics services, precision marketing services and insurance distribution services utilise largely the same set of technologies and may compete for overlapping customers in the future. As a result, conflicts of interest may arise among our three business lines. For example, there may arise business opportunities where both data analytics services and precision marketing services can meet customers' needs. In the event that Banyan starts recommending insurance products in the future, competition may arise between the insurance products recommended on Banyan and the comparable insurance products distributed through Liming. If a large number of customers tend to choose products and services in a particular business line, the revenue and business prospectus of the other business lines may be adversely affected. Moreover, our three business lines compete for similar research and development opportunities and hiring of data scientists and engineers. To the extent the self-competition hinders our overall business growth and implementation of strategies, our business, financial condition and results of operations may be adversely affected.

Decline in our FSP clients' demand for our services could materially harm our business.

Our success depends on our FSP clients' ability and willingness to pay. During the Track Record Period, revenue contribution from some of our FSP clients experienced significant fluctuations, which could be attributable to a number of reasons. For example, a downturn or any adverse development in macroeconomic conditions, industry-specific events and regulations can have material negative impacts on our FSP clients' financial conditions and business volume, thus may have material negative

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impacts on our FSP clients' demand for our products and services. According to the Judicial Interpretation Amendment issued by the Supreme People's Court in August 2020, total annual percentage rates (inclusive of any default rate, penalty and any other fee) exceeding four times that of China's benchmark one-year LPR as published on the 20th of each month will not be legally protected. Consequently, some of our FSP clients' businesses may be impacted as they may need to adopt changes to their product offerings for compliance, which in turn may adversely impact their demand of our services. See also "—Our business could be materially and adversely harmed by the tightening of laws, regulations or standards in the financial services industry that affects financial institutions or non-financial institutions". Moreover, our FSP clients' willingness to pay depends on their perceived value of our products and services. If we fail to help them better manage risk and generate more revenue, our FSP clients may choose not to renew contracts with us or reduce their reliance on our products and services. If either of the foregoing occurs, we may suffer a revenue decrease and other adverse impacts to our business.

If we are unable to ensure the accuracy of our big data analysis or the compliance of our products and services with related PRC law, we could be held liable for damages to FSPs and may lose our FSP clients, which could materially and adversely affected our results of operations.

To maintain client retention and meet client demands for increasingly sophisticated service offerings, we must ensure that our big data analytics products and services produce meaningful analytical results for our FSP clients. The analysis process is typically conducted through our models with complex algorithms classified by each type of FSP clients. We have to constantly update and optimise our models to ensure that the results generated can accurately reflect the associated risks in our FSP clients' business scenarios. Such effort requires internal processing and analysis of large amounts of data, as well as understanding of each type of FSP client in a changing business environment, both of which require commitment of significant resources. If our FSP clients are not satisfied with our analytical results, they may reduce or stop using our services and turn to our competitors, and our reputation and results of operations may be materially and adversely affected.

We may face challenges with generating and acquiring user traffic to Banyan.

We primarily generate user traffic to Banyan through a variety of marketing channels, including, without limitation, feeds advertisements, app stores, online platforms, online display advertising and social media. We may not be able to promote awareness of our brand and achieve widespread acceptance of our business model to increase organic traffic to our platforms. We have incurred significant expenses on and devoted considerable resources to branding and marketing activities and user traffic acquisition, and we may continue to do so in the future. Our ability to convert user traffic to user base and to retain that user base depends on users' satisfaction with the variety and quality of financial products recommended by us. Any negative publicity or dissatisfaction associated with the financial products recommended by us on Banyan, regardless of merit, may affect our reputation and our ability to generate user traffic. If we fail to meet these challenges, our business, financial performance and prospects will be materially and adversely affected.

We may not be able to provide a satisfactory user experience in Banyan, which may lead to a decline in user engagement.

Our ability to maintain and expand our user base depends on a number of factors, such as our ability to match and recommend suitable financial products for our users. If we are unable to respond to changes in user preference and deliver a satisfactory and distinguishable user experience, current and prospective users may switch to a competing marketplace or obtain financial products directly from

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their providers. As a result, user access to and user activity on Banyan will decline, and FSPs will be less willing to promote their financial products on Banyan.

We may not be able to match users with suitable financial products due to various reasons. Our filtering and recommendation models may fail to function properly. The data provided to us by our users, FSPs and third-party data partners may not be accurate or up to-date. We may adjust the portfolio of financial products recommended on Banyan from time to time due to business strategy adjustments or government regulations. For example, Banyan used to, but no longer provides recommendation of peer-to-peer loan. If users are recommended with financial products but cannot ultimately obtain approval for the products they desire, they may consider our products and services to be ineffective at matching. Moreover, a user who acquires a financial product may become dissatisfied with its terms and conditions or its associated services, or the product provider may have difficulty collecting repayments from the user. Both the user and FSP may associate their dissatisfaction and subsequent difficulties with our marketplace where the transaction was initiated. Users may consequently be reluctant to continue to use Banyan and product providers may be unwilling to continue to partner with us. As a result, our business, reputation, financial performance and prospects will be materially and adversely affected.

We may not be able to ensure the accuracy of information on financial products listed on Banyan as well as the quality of listed financial products.

We rely on FSPs for the authenticity of their financial products and the comprehensiveness, accuracy and timeliness of the related financial information provided by them. While the products and information from FSPs have been generally reliable, there can be no assurance that the reliability can be maintained in the future. If FSPs or their agents provide inauthentic financial products or incomplete, misleading, inaccurate or fraudulent information, we may lose the trust of existing and prospective users. Our reputation could be harmed and we could experience reduced user traffic, which would adversely affect our business and financial performance. In addition, if any non-compliance of listed financial products occurs, it may result in regulatory sanctions, litigation or serious reputational or financial harm to us.

As users access financial products through Banyan, they may have the impression that we are at least partially responsible for the quality of these products. Although we have established standards to screen FSPs and their products before listing their products on our marketplace, and to a certain extent rank the financial products based on past user experience when we make recommendations to users, we have limited control over the quality of the financial products and the services provided by FSPs. Moreover, FSPs may not update their products on a timely basis. Users dissatisfied with financial products or services recommended on Banyan may cause negative publicity about us, and we do not have any means to directly make improvements in response to user complaints. Due to the large number of financial products listed on Banyan and the extensiveness of our FSP network, it is extremely difficult for us to monitor and ensure the product and service quality of all FSPs on our marketplace at any given time. If users become dissatisfied with the financial products available on our marketplace or the services of FSPs, our business, reputation, financial performance and prospects could be materially and adversely affected.

Because the revenue we earn on the sale of insurance products is based on premiums and commission and service fee rates set by insurance companies, any decrease in these premiums or commission and service fee rates may have an adverse effect on our results of operations.

We derive revenue from commissions and service fees on the sale of insurance products that are paid by the insurance companies from whom potential policyholders purchase insurance products. Because

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payments for the sale of insurance products are processed internally by the insurance companies, we may not receive a payment that is otherwise expected in any particular period until after the end of that period, which can adversely affect our ability to budget for significant future expenditures.

The commission rates are set by the insurance companies and are normally based on the premiums that the insurance companies charge. The potential for changes in premium rates is significant, due to pricing cyclicality in the insurance market. In addition, the insurance market has been characterised by periods of intense price competition due to excessive underwriting capacity and periods of favourable premium levels due to shortages of capacity. Capacity could also be reduced by the insurance companies failing or withdrawing from writing certain coverages that we offer our clients. Commission rates and premiums can change based on prevailing legislative, economic and competitive factors that affect the insurance companies. These factors, which are not within our control, include the capacity of the insurance companies to place new business, underwriting and non-underwriting profits of the insurance companies, consumer demand for insurance products, the availability of comparable products from other insurance companies at a lower cost and the availability of alternative insurance products, such as government benefits and self-insurance products, to consumers. We cannot predict the timing or extent of future changes in commission rates or premiums or the effect any of these changes will have on our business, financial condition and results of operations.

If we fail to attract and retain productive insurance brokers, our business could be adversely affected.

All of our sales of insurance products are conducted through individual insurance brokers, who are not our employees and are paid on commission basis only. Some of these insurance brokers are significantly more productive than others in generating sales. We have been actively recruiting and will continue to recruit talented and experienced brokers to join our distribution and service network as our insurance brokers. If we are unable to attract and retain the core group of highly productive insurance brokers, our business could be materially and adversely affected. Competition for sales personnel and insurance brokers from insurance companies and other insurance intermediaries may also force us to increase the compensation of our insurance brokers, which would increase operating costs and reduce our profitability.

Insurance brokers' misconduct is difficult to detect and deter and could harm our reputation or lead to regulatory sanctions or litigation costs.

Insurance brokers' misconduct could result in violations of law by us, regulatory sanctions, litigation or serious reputational or financial harm. Types of misconducts could include:

- making misrepresentations when marketing or selling insurance to clients;
- hindering insurance applicants from making full and accurate mandatory disclosures or inducing applicants to make misrepresentations;
- hiding material information in relation to insurance contracts;
- granting or promising to grant to applicants, insureds or beneficiaries any interest other than that specified in insurance contracts;
- coercing, inducing or restricting applicants to enter into insurance contracts by taking advantage of the administrative powers and position or of the occupational facilities, or by other unfair means;
- fabricating or altering insurance contracts without authorisation from relevant parties, or providing false documents on behalf of the applicants;

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- misappropriation, withholding or encroachment of insurance premiums or insurance monies;
- seeking improper benefits for other institutions or individuals by taking advantage of their business status;
- colluding with applicants, insureds, or beneficiaries to obtain insurance benefits;
- disclosing trade secrets of insurers, applicants and insureds known in the business activities;
- seeking or accepting remuneration or other monies from insurance companies or their staff other than those agreed contractually, or making use of insurance brokerage business convenience to seek other illegal gains; and
- otherwise not complying with laws and regulations or our control policies or procedures.

On April 24, 2015, the PRC Insurance Law (中華人民共和國保險法) was amended, which we refer to as the 2015 Insurance Law. On October 19, 2015, the China Insurance Regulatory Commission, or the CIRC (currently known as CBIRC), amended the Provisions on the Supervision and Administration of Insurance Brokerages (保險經紀機構監管規定), which were replaced in 2018 by Provisions on the Supervision and Administration of Insurance Brokers (保險經紀人監管規定). These amendments have made a number of significant changes to the regulatory regime, including eliminating the requirement for an insurance agent, broker or claims adjusting practitioner to obtain a qualification certificate issued by the CIRC. The elimination of the certificate requirement may result in an increase in misconduct by insurance brokers or service persons, particularly through sales misrepresentation. We have internal policies and procedures to deter broker or employee misconduct for our sales of insurance products. However, the measures and precautions we take to prevent and detect these activities may not be effective in all cases. We cannot assure you, therefore, that misconduct by brokers will not lead to a material adverse effect on our business, results of operations or financial condition. In addition, the general increase in misconduct in the industry could potentially harm the reputation of the industry and have an adverse impact on our business.

Our insurance brokerage business and the insurance industry in general are highly regulated, and the administration, interpretation and enforcement of the laws, regulations and regulatory requirements currently applicable to us are unclear, evolving and involve uncertainties. Non-compliance with applicable laws, regulations and regulatory requirements or failure to respond to legal and regulatory changes may materially and adversely affect our business and prospects.

The CBIRC has extensive authority to supervise and regulate the insurance industry in China. The CBIRC has been enhancing its supervision over this industry in recent years, and new laws, regulations and regulatory requirements have been promulgated and implemented from time to time. We face challenges brought by these new laws, regulations and regulatory requirements, as well as significant uncertainties in the interpretation and application thereof. Moreover, there exist uncertainties as to how the regulatory environment might change.

China's insurance regulatory regime is undergoing significant changes. Further development of regulations applicable to us may result in additional restrictions on our business operations or more intensive competition in this industry. We might be required to spend significant time and resources in order to comply with any material changes in the regulatory environment, which could trigger significant changes to the competitive landscape of our industry and we may lose some or all of our competitive advantages during this process. We may change the insurance product mix we offer in response to changing market demands following any change of regulatory requirements. We may have to add to our product mix insurance products that we have little experience with, or reduce or cease the

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offering of insurance products that used to be popular on our platform, either of which may adversely affect our results of operations. Staying compliant with the restriction may result in limitation to our business scope, limitation to our product and service offerings, and reduction in our attraction to clients. As a result, our business and results of operations might be materially and adversely affected.

In addition, there are uncertainties with regard to how the changing laws, regulations and regulatory requirements would apply to our business. The CBIRC and its local counterparts have wide discretion in administration, interpretation and enforcement of these laws, regulations and regulatory requirements, as well as the authority to impose regulatory sanctions on industry participants. In certain circumstances it may be difficult to determine which actions or omissions may be deemed to be in violation of applicable laws, regulations or regulatory requirements. Furthermore, misconduct of our insurer partners, user traffic channels or other business partners in violation of any of these laws, regulations or regulatory requirements might subject us to fines, civil or criminal liabilities, being required to modify or terminate part or all of our business operations or even being disqualified from providing services to our insurer partners or insurance clients. The occurrence of any of the above could have a material adverse effect on our business, results of operations, financial condition and prospects.

Moreover, Chinese regulatory authorities may conduct various reviews and inspections on our business operations from time to time, which could cover a broad range of aspects, including financial reporting, tax reporting, internal control and compliance with applicable laws, rules and regulations. If any non-compliance incidents in our business operation are identified, we may be required to take certain rectification measures in accordance with applicable laws and regulations, or we may be subject to other regulatory actions such as administrative penalties.

We have client concentration, with a limited number of FSP clients accounting for a substantial portion of our total revenue and revenues from our clients may also fluctuate from time to time.

A substantial portion of our net revenues is derived from a limited number of FSP clients. For each of the years ended December 31, 2017, 2018 and 2019 and for the nine months ended September 30, 2020, our top five FSP clients accounted for approximately 29.9%, 21.7%, 25.8% and 17.7% of our total revenue, and revenue from our largest FSP client alone accounted for approximately 9.7%, 6.2%, 8.0% and 4.3% of our total revenue during each of these periods. There are inherent risks whenever a large percentage of total revenue is concentrated with a limited number of clients. It may not be possible for us to predict the future level of demand for our products and services that will be generated by our largest clients. Actions taken by our largest clients to exploit their comparably superior bargaining position in negotiating the terms of renewals of services agreements or otherwise could also have an adverse effect on our results of operations. In addition, revenues from the largest clients may fluctuate from time to time for reasons outside of our control. There can be no assurance that we can maintain relationships with our largest clients on commercially desirable terms. If any of the foregoing were to occur, we could be pressured to reduce the prices we charge for our products and services or risk losing our largest clients, which could have an adverse effect on our revenue and margins, and could negatively affect our financial position and results of operations.

Failing to maintain and enhance our brand would harm our ability to expand our base of clients.

We believe that maintaining and enhancing our “Bairong Yunchuang” (百融雲創) brand identities and increasing market awareness of our Company and our products and services are critical to achieving widespread acceptance of our products and services. The successful promotion of our brand will depend largely on our continued marketing efforts, our ability to continue to offer high quality products

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and services, our ability to maintain our leadership position and our ability to successfully differentiate our products and services from competing ones. However, our brand promotion activities may not be successful or yield increased revenue. In addition, complaints or negative publicity about us, our services or products could materially and adversely impact our ability to attract and retain users and clients, our business, results of operations and financial condition.

The promotion of our brand also requires us to make expenditures, and we anticipate that these expenditures will increase as our market becomes more competitive and as we expand into new markets. To the extent that these activities increase revenue, this increased revenue still may not be enough to offset the increased expenses we incur. If we do not successfully maintain and enhance our brand, then our business may not grow, we may see our pricing power reduced relative to competitors and we may lose users and clients, all of which would adversely affect our business, results of operations and financial condition.

Our reputation is important to our business success. Negative publicity may adversely affect our reputation and business prospects.

Any negative publicity concerning us, our affiliates, our investees, our directors or employees, shareholders of our subsidiaries, any entity that shares our name or brand, our customers, suppliers and other business partners, the industry we operate in or other participants in such industry, even if untrue, could adversely affect our reputation and business prospects. Any inappropriate behaviours or conducts, such as inappropriate overdue debt collection conduct, could subject us to liabilities and negatively impact our reputation. We have implemented various internal control measures to ensure our compliance but there can be no assurance that such measures can always be effective. Moreover, such negative publicity may be due to factors that are beyond our control, but nonetheless may still adversely affect our reputation and business operations. Any negative publicity or dissatisfaction associated with the financial products recommended by us on Banyan, including related debt collection activities of our precision marketing services customers or their service providers, regardless of merit, could also affect our reputation and our ability to generate user traffic. There can be no assurance that negative publicity about us, any of our affiliates, our investees, our directors or employees, shareholders of our subsidiaries, any entity that shares our name or brand, our customers, suppliers and other business partners, the industry we operate in or other participants in such industry would not damage our brand image or have a material adverse effect on our business, results of operations and financial condition. Moreover, we cannot preclude negative publicity in the future, nor can we assure you that we will be able to defuse such negative publicity or prevent related misconception and other damages caused by such negative publicity.

If we fail to keep up with rapid changes in technologies, our future success may be adversely affected.

We utilise advanced data technology tools to process data and deliver our data products and services. The success of our business will depend, in part, on our ability to adapt and respond effectively to technological developments on a timely basis. If we are unable to develop new products and services that satisfy our clients and provide enhancements and new features for our existing products and services that keep pace with rapid technological and industry change, our business, results of operations and financial condition could be adversely affected. If new technologies emerge that are able to deliver competitive products and services at lower prices, more efficiently, more conveniently or more securely, such technologies could adversely impact our ability to compete effectively.

Our system and platform integrate with a variety of network, hardware, mobile and software platforms and technologies, and we need to continuously modify and enhance our products and services to adapt

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to changes and innovation in these technologies. We may not be able to ensure the effective integration of our clients' technology systems with those of our own. If our clients adopt new software platforms or infrastructure, we may be required to develop new versions of our products and services to work with those new platforms or infrastructure. This development effort may require significant resources, which would adversely affect our business, results of operations and financial condition. Any failure of our products and services to operate effectively with evolving or new platforms and technologies could reduce the demand for our products and services. We must continue to invest substantial resources in research and development to enhance our technology capabilities. If we are unable to respond to these changes in a cost-effective manner, our products and services may become less marketable and less competitive or obsolete, and our business, results of operations and financial condition could be adversely affected.

Our use of open source technology could impose limitations on our business operations.

We use open source software in some of our platforms and expect to continue to use open source software in the future. Although we monitor our use of open source software to avoid subjecting our software to conditions we do not intend, we may face allegations from others alleging ownership of, or seeking to enforce the terms of, an open source licence, including by demanding release of the open source software, derivative works, or our proprietary source code that was developed using such software. These allegations could also result in litigation. The terms of many open source licences have not been interpreted by courts. There is a risk that these licences could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialise our software and platform. In such an event, we may be required to seek licences from third parties to continue commercially offering our software, to make our proprietary code generally available in source code form, to re-engineer our software or to discontinue the sale of our software if re-engineering could not be accomplished on a timely basis, any of which could adversely affect our business and revenue.

The use of open source software subjects us to a number of other risks and challenges. Open source software is subject to further development or modification by anyone. Others may develop such software to be competitive with, or render such software no longer useful by, us. It is also possible for competitors to develop their own products and services using open source software, potentially reducing the demand for our products and services. If we are unable to successfully address these challenges, our business and operating results may be adversely affected and our development costs may increase.

If we fail to obtain or maintain the internet content provider licence or the online data and transaction processing licence, our business, financial condition and results of operations may be materially and adversely affected.

PRC regulations impose sanctions for engaging in internet information services of a commercial nature without having obtained an internet content provider licence, or the ICP licence, and sanctions for engaging in the operation of online data processing and transaction processing without having obtained an online data processing and transaction processing licence, or the EDI licence. These sanctions include corrective orders and warnings from the PRC communication administration authority, fines and confiscation of illegal gains. In the case of serious infringements, the websites and mobile apps may be ordered to cease operation. Beijing Bairong, our variable interest entity, and Guangzhou Shurong Internet Micro-lending Co., Ltd., a wholly owned subsidiary of our variable interest entity, each currently hold an ICP licence. In addition, given the evolving regulatory environment, we cannot be certain whether the PRC communication administration authority or other government authorities will require our variable interest entity or its subsidiaries to obtain an EDI licence or other

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telecommunication business licences. If such telecommunication business licences are required in the future, we cannot assure you that we would be able to obtain the EDI licence in a timely manner.

Any inappropriate overdue debt collection conduct could subject us to liabilities and negatively impact our reputation.

We currently provide big data analytics services to the FSPs supporting their needs for non-performing loan (NPL) management. We have developed a smart servicing voicebot, capable of holding a conversation for purpose of NPL collection calls, which integrates complex algorithms and highly accurate voice recognition technology developed by our AI laboratory. We historically offered debt collection services for major banks in China through a subsidiary. This service was offered as part of our post-lending solutions to these banks and was disposed of in 2018. We also invested, as minority shareholder, in two platform companies providing non-performing loan management software and engaging in debt collection services or services that facilitate debt collection. One of them ceased operations in 2019 and we disposed of our interest in it. Inappropriate behaviours of these companies could be subject to penalties and liabilities. As their minority shareholder, such regulatory actions on these companies could negatively impact our reputation. According to the Trial Implementation of Provisions on the Supervision of Internet Financial Overdue Debt Collection Self-Discipline Convention (Trial) (互聯網金融逾期債務催收自律公約(試行)), promulgated by the National Internet Finance Association of China in March 2018, the debt collection activities should comply with the relevant requirements of laws and regulations, and any inappropriate debt-collection behaviours, such as insult, intimidation, threat and harassments, are strictly prohibited. See also “—Risks Relating to Our Business and Industry—Our reputation is important to our business success. Negative publicity may adversely affect our reputation and business prospects.”

Our business may be affected by the condition and competitive landscape of China’s credit market.

Changes in the condition of China’s credit market generally impact the demand and supply of financial products, which, in turn, may affect the demand for our products and services and the user traffic and user activity on Banyan. The range, pricing and terms of financial products available in the market partly result from competition among FSPs. In a rising interest rate environment, our users may seek funding through other means. In a declining interest rate environment, borrowers may choose to refinance their loans with lower-priced financial products, which may not be available on Banyan. There can be no assurance that FSPs we work with can respond to fluctuations in interest rates in a timely manner by adjusting the financial product listings on Banyan.

A credit crisis or prolonged downturn in the credit market could severely impact our operating environment or cause tightening in credit guidelines, limited liquidity, deterioration in credit performance and increased foreclosure activities. Moreover, a financial and credit crisis may be coupled with or trigger a downturn in the macroeconomic environment, which could cause a general decrease in lending activity over a longer period of time. If a credit crisis were to occur, particularly in China’s credit market, our business, financial performance and prospects could be materially and adversely affected.

Our business depends on the continued efforts of our senior management. If one or more of our key executives were unable or unwilling to continue in their present positions, our business may be severely disrupted.

Our business operations depend on the continued services of our senior management, particularly our founder and executive Directors named in this document (i.e., Mr. Zhang Shaofeng, Mr. Zhao

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Hongqiang, and Ms. Zhao Jing). While we have provided different incentives to our management, we cannot assure you that we can continue to retain their services. If one or more of our key executives were unable or unwilling to continue in their present positions, we may not be able to find suitable replacements, our future growth may be constrained, our business may be severely disrupted and our financial condition and results of operations may be materially and adversely affected. In addition, although we have entered into confidentiality and non-compete agreements with our management, there is no assurance that any member of our management team will not join our competitors or form a competing business. If any dispute arises between our current or former officers and us, we may have to incur substantial costs and expenses in order to enforce such agreements in China or we may not be able to enforce them at all.

We may not be able to attract and retain the qualified and skilled employees needed to support our business.

We believe our future success depends on our continued ability to attract, develop, motivate and retain qualified and skilled employees. Competition for highly skilled sales and marketing, technical and financial personnel is extremely intense in China. We may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. Some of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment. In addition, we invest significant time and resources in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training new employees, and our ability to serve users and FSPs could diminish, resulting in a material adverse effect on our business.

We may not be able to identify all fraudulent activities conducted through our platform by our employees, insurance brokers or business partners, which could negatively impact our brand and reputation.

Our platform is subject to fraudulent activities, sometimes through sophisticated schemes or collusion. Certain of our own employees and insurance brokers may be corrupt and participate in fraudulent or otherwise illegal activities. Our resources, technologies, fraud detection tools and risk management system may be insufficient to accurately detect and timely prevent fraud and misconduct. Significant increases in fraudulent activity could negatively impact our brand and reputation, result in losses suffered by users and clients, and reduce user access to and user activity on our platform. We may need to adopt additional measures to prevent and reduce fraud, which could increase our costs. Moreover, serious fraudulent activity could lead to regulatory intervention, and may divert our management's attention and cause us to incur additional expenses and costs. To date, we have not encountered any fraudulent activities that have had a material impact on our business. If any of the foregoing were to occur, however, our reputation and financial performance could be materially and adversely affected.

Our services and internal systems rely on software programmes that are highly complex and technical, and if they contain undetected errors, our business could be adversely affected.

Our services and internal systems rely on software programmes that are highly complex and technical. In addition, our services and internal systems depend on the ability of the software programmes to store, retrieve, process and manage immense amounts of data. The software programmes on which we rely may contain undetected errors or bugs. Some errors may only be discovered after the code has been released for external or internal use. Errors or other design defects within the software programmes on which we rely may result in a negative experience for users and clients, delay

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introductions of new features or enhancements, result in errors or compromise our ability to protect data or our intellectual property. If any of the above occurs, our business, results of operations and financial condition may be adversely affected.

Our operations depend on stable telecommunications infrastructure provided by third parties.

Almost all access to mobile and internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. We primarily rely on a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and internet data centres to host our servers. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's public communications networks, such as mobile, internet or the fixed telecommunications networks. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our platform. We cannot assure you that the telecommunications infrastructure in China will be able to support the demands associated with the continued growth in usage, and we may experience capacity constraint or power outage associated with our use of such telecommunications infrastructure. In addition, we have no control over the costs of the services provided by public communications service providers. If the prices we pay for their services rise significantly, our financial performance may be adversely affected. Furthermore, if mobile access fees or other charges to mobile users increase, our user traffic may decline and our business may be harmed.

Our business has been and is likely to continue to be materially adversely affected by the outbreak of COVID-19.

Since the beginning of 2020, outbreaks of COVID-19 have resulted in quarantines, travel restrictions and the temporary closure of stores and facilities. The population in most of the major cities in China was, and still is from time to time, subject to lockdown, travel restrictions or other forms of quarantine of various degrees. Most of our employees are located in Beijing. We have taken a series of measures in response to the outbreak, including, among others, remote working arrangements for some of our employees. These measures reduced the capacity and efficiency of our operations and negatively impact our operations.

Consequently, our results of operations have been adversely, and may be materially, affected, to the extent that COVID-19 harms the Chinese and global economy in general. Any potential impact to our results will depend on, to a large extent, future developments and new information that may emerge regarding the duration and severity of COVID-19 and the actions taken by government authorities and other entities to contain COVID-19 or treat its impact, almost all of which are beyond our control. Potential impacts include, but are not limited to, the following:

- reduced demand for financial services as a result of economic contraction, which could negatively affect the demand for our services;
- decreased budget of our FSP clients, which could negatively affect our business and results of operations; and
- disruption of our data centres and other technology infrastructure we utilise, which could adversely impact our daily operations and lead to loss of clients as well as reputational harm to us.

Since March 2020, the situation in China has appeared to be on a path of slow recovery from the impact. While many of the restrictions on movement within China have been relaxed as of the Latest Practicable Date, there is great uncertainty as to the future progress of the disease. Our business and

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financial performance have been adversely affected by the outbreak of COVID-19 in China and globally since the beginning of 2020. Our revenue decreased by 17.1% from RMB922.3 million for the nine months ended September 30, 2019 to RMB764.2 million for the nine months ended September 30, 2020 primarily because revenue from precision marketing services decreased by 45.1% from RMB309.2 million to RMB169.7 million as our FSP clients experienced a decline in business demand due to COVID-19. Leveraging our data analytics capabilities, technology platforms and intellectual capital, we have resumed normal operations and have seen an increase in demand for our products and services since June 30, 2020. The full extent to which COVID-19 will impact our financial results and business condition will depend on future developments, which cannot be predicted.

Any significant disruption in service or in our computer systems, including events beyond our control, could reduce the attractiveness of our products and services and result in a loss of clients and users.

In the event of a system outage and physical data loss, the performance of our products and services would be materially and adversely affected. The satisfactory performance, reliability and availability of our products and services and underlying technology infrastructure are critical to our operations and reputation and our ability to retain existing and attract new users and FSPs. Much of our system hardware is hosted in a leased facility located in Beijing that is operated by our information technology staff. Our operations depend on our ability to protect our systems against damage or interruption from natural disasters, power or telecommunications failures, air quality issues, environmental conditions, computer viruses or attempts to harm our systems, criminal acts and similar events. Although we lease a backup facility hosting our hardware in the event of power outage, if there is a lapse in our service or damage to our leased facilities in Beijing, we could experience interruptions and delays in our service and may incur additional expense in arranging new facilities.

Any breaches to our security measures, including unauthorised access, computer viruses and “hacking”, may adversely affect our database, reduce use of our services and damage our reputation and brand names.

The massive volume of data that we process and store makes us or third-party data partners who host our servers an attractive target and potentially vulnerable to cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions. While we have taken steps to protect our database, our security measures could be breached. Because techniques used to sabotage or obtain unauthorised access to systems change frequently and generally are not recognised until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any accidental or wilful security breaches or other unauthorised access to our system could cause confidential information to be stolen and used for criminal purposes. Security breaches or unauthorised access to confidential information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our technology infrastructure are exposed and exploited, our relationships with users and FSPs could be severely damaged, we could incur significant liability and our business and operations could be adversely affected. The PRC Cyber Security Law stipulates that a network operator, including internet information service providers among others, must adopt technical measures and other necessary measures in accordance with applicable laws and regulations as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. While we have adopted comprehensive measures to comply with the applicable laws, regulations and standards, there can be no assurance that such

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measures will be effective. If we were found by the regulatory authorities to have failed to comply with the PRC Cyber Security Law, we would be subject to warnings, fines, confiscation of illegal gains, revocation of licences, cancellation of filings, shutdown of our platform and system or criminal liability and our business, financial condition and results of operations would be adversely affected.

We may not be able to prevent others from making unauthorised use of our intellectual property.

We regard our software registrations, trademarks, domain names, know-how, proprietary technologies and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality and non-compete agreements with our employees and others to protect our proprietary rights. See “Business—Intellectual Property”. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, because of the rapid pace of technological change in our industry, parts of our business rely on technologies developed or licenced by third parties, and we may not be able to obtain or continue to obtain licences and technologies from these third parties on reasonable terms, or at all.

It is often difficult to maintain and enforce intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China. Preventing any unauthorised use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in such litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. To the extent that our employees or consultants use intellectual property owned by others in their work for us, disputes may arise as to the rights in related know-how and inventions. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

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

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, patents, copyrights, know-how or other intellectual property rights held by third parties without our awareness. We may be, from time to time in the future, subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed by our products, services or other aspects of our business without our awareness. Holders of such intellectual property rights may seek to enforce such intellectual property rights against us in China, Hong Kong or other jurisdictions. If any third-party infringement claims are brought against us, we may be forced to divert management’s time and other resources from our business and operations to defend against these claims, regardless of their merits.

Additionally, the application and interpretation of China’s intellectual property right laws and the procedures and standards for granting trademarks, patents, copyrights, know-how or other intellectual

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property rights in China are still evolving and are uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we were found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities, such as being prohibited from using such intellectual property, and we may incur licencing fees and compensation or be forced to develop alternatives of our own. As a result, our business and financial performance may be materially and adversely affected.

Failure to renew our current leases or locate desirable alternatives for our leased properties could materially and adversely affect our business.

We lease properties for our offices. We may not be able to successfully extend or renew such leases upon expiration of the current term on commercially reasonable terms or at all, and may therefore be forced to relocate our affected operations. This could disrupt our operations and result in significant relocation expenses, which could adversely affect our business, financial condition and results of operations. In addition, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, even though we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties. In addition, we may not be able to locate desirable alternative sites for our current leased properties as our business continues to grow and failure in relocating our affected operations could adversely affect our business and operations.

Our leasehold interests in leased properties have not been registered with the relevant PRC governmental authorities as required by relevant PRC laws. The failure to register leasehold interests may expose us to potential fines.

We have not registered our lease agreements with the relevant government authorities. Under the relevant PRC laws and regulations, we may be required to register and file with the relevant government authority executed leases. The failure to register the lease agreements for our leased properties will not affect the validity of these lease agreements, but the competent housing authorities may order us to register the lease agreements in a prescribed period of time and impose a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease if we fail to complete the registration within the prescribed time frame. The maximum penalty that we may be liable in relation to the failure of registering lease agreements during the Track Record Period was approximately RMB750,000.

Our rights to use our leased properties could be challenged by property owners or other third parties, which may disrupt our operations and incur relocation costs.

As of the Latest Practicable Date, the lessors of certain of our leased properties in China failed to provide us with valid property ownership certificates or authorisations from the property owners for the lessors to sublease the properties. If such lessors do not have the relevant property ownership certificates or the right to lease or sublease such properties to us, the relevant rightful title holders or other third parties may challenge our use of such leased properties, and we may be forced to vacate these properties and be required to seek alternative properties for lease or choose to terminate the lease earlier while bearing the penalty of early termination under the lease.

We have granted, and may continue to grant, options and other types of awards under our share incentive plan, which may result in increased share-based compensation expenses.

Beijing Bairong adopted a share incentive plan in 2015, which we refer to as the 2015 Plan. In August 2019, we adopted the 2019 ESOP to secure and retain the services of valuable employees, directors or

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consultants, and provide incentives for such persons to exert their best efforts for the success of our business. The 2015 Plan was cancelled concurrently upon the adoption of the 2019 ESOP, and each holder of grants under the 2015 Plan received the same economic interest in us as that granted to such holder under the 2015 Plan. Under the 2019 Plan, the maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the 2019 ESOP is 9,963,556, subject to further amendment (being 49,817,780 Shares following the Share Subdivision). As of the Latest Practicable Date, awards to purchase 9,206,298 ordinary shares under the 2019 ESOP have been granted and are outstanding, excluding awards that were forfeited or cancelled after the relevant grant dates. Our share-based compensation was RMB14.9 million, RMB34.3 million and RMB39.4 million in 2017, 2018 and 2019, respectively, and RMB32.1 million and RMB30.1 million for the nine months ended September 30, 2019 and 2020, respectively.

We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. We may re-evaluate the vesting schedules, lock-up period, exercise price or other key terms applicable to the grants under our share incentive plans from time to time. If we choose to do so, we may experience substantial change in our share-based compensation charges in the reporting periods following this offering.

We may be held liable for information or content displayed on, retrieved from or linked to our platform, which may materially and adversely affect our business and operating results.

The PRC government has adopted regulations governing internet access and distribution of information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China, contains terrorism, extremism, content of force or brutality, or is reactionary, obscene, superstitious, fraudulent or defamatory. Failure to comply with these requirements may result in the revocation of licences to provide internet content and other licences, the closure of the concerned websites and criminal liabilities. In the past, failure to comply with these requirements has resulted in the closure of certain websites. The website operator may also be held liable for the censored information displayed on or linked to the website.

In particular, the MIIT has published regulations that subject website operators to potential liability for content displayed on their websites and the actions of users and others using their systems, including liability for violations of PRC laws and regulations prohibiting the dissemination of content deemed to be socially destabilising. The Ministry of Public Security of China has the authority to order any local internet service provider to block any internet website at its sole discretion. From time to time, the Ministry of Public Security of China has stopped the dissemination over the internet of information which it believes to be socially destabilising. The State Secrecy Bureau of China is also authorised to block any website it deems to be leaking state secrets or failing to meet the relevant regulations relating to the protection of state secrets in the dissemination of online information. Furthermore, we are required to report any suspicious content to relevant governmental authorities, and to undergo computer security inspections. If we fail to implement the relevant safeguards against security breaches, our websites may be shut down and our business and our internet content provider licences, or ICP licences, may be revoked.

According to 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) which was promulgated by the Cyberspace Administration of

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China and became effective in August 2016, providers of mobile apps may not create, copy, publish or distribute information and content that is prohibited by laws and regulations. We are required to adopt and implement management systems of information security and establish and improve procedures on content examination and administration. We must adopt such measures as warnings, restricted releases, suspension of updates and closing of accounts, keeping relevant records, and reporting unlawful content to competent government authorities. We have implemented internal control procedures screening the information and content on our mobile apps to ensure their compliance with these provisions. However, there can be no assurance that all the information or content displayed on, retrieved from or linked to our mobile apps complies with the requirements of the provisions at all times. If our mobile apps were found to violate the provisions, we may be subject to administrative penalties, including warning, service suspension or removal of our mobile apps from the relevant mobile app store, which may materially and adversely affect our business and operating results. We may also become involved in legal disputes with third parties that disagree with the content on our platform, which could result in substantial costs and a diversion of our managerial and financial resources.

If our outside service providers and key vendors are not able to or do not fulfil their service obligations, our operations could be disrupted and our operating results could be harmed.

We depend on a number of service providers and key vendors, such as telecommunication companies, data partners and software and hardware vendors, who are critical to our operations. These service providers and vendors are involved in our service offerings, communications and networking equipment, computer hardware and software and related support and maintenance. Our operations could be disrupted if we do not successfully manage relationships with our service providers, if they do not perform or are unable to perform agreed-upon services, or if they are unwilling to make their services available to us at reasonable prices. If our service providers and vendors do not perform their service obligations, it could adversely affect our reputation, business, financial condition and results of operations.

We have limited insurance coverage which could expose us to significant costs and business disruption.

The insurance industry in China is still in an early stage of development, and insurance companies in China currently offer limited business-related insurance products. We do not maintain business interruption insurance or general third-party liability insurance, nor do we maintain property insurance, product liability insurance or key-man insurance. We consider our insurance coverage to be reasonable in light of the nature of our business and the insurance products that are available in China and in line with the practises of other companies in the same industry of similar size in China, but we cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

Our results of operations, financial conditions and prospects may be adversely affected by fair value changes in our redeemable convertible preferred shares.

During the Track Record Period, we had outstanding redeemable convertible preferred shares, which were designated as financial liabilities at fair value through profits or losses. Their fair value is determined based on the valuation performed by an independent valuer, using valuation techniques.

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The assessment of fair value of our redeemable convertible preferred shares requires the use of unobservable inputs including discount rate, discount of lack of marketability and expected volatility. We use our judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the respective valuation dates. These valuation methodologies that we use involve a significant degree of management judgement and are inherently uncertain. Changes in these unobservable inputs and other estimates and judgements could materially affect the fair value of our redeemable convertible preferred shares, which in turn may adversely affect our results of operations. In 2017, 2018 and 2019, we realised losses from fair value changes in redeemable convertible preferred shares of RMB255.4 million, RMB146.3 million and RMB76.2 million, respectively. For the nine months ended September 30, 2019 and 2020, we realised losses from fair value changes in redeemable convertible preferred shares of RMB44.9 million and RMB93.8 million, respectively. We expect continued fluctuation of the fair value of our redeemable convertible preferred shares after September 30, 2020 till the Listing Date, upon which all the redeemable convertible preferred shares will be reclassified from liabilities to equity as a result of the automatic conversion into our Shares. After the automatic conversion of the redeemable convertible preferred shares into Shares upon the Listing, which may result in a net asset position, we do not expect to recognise any further loss or gain on fair value changes from the redeemable convertible preferred shares in the future.

Fluctuation of our financial assets at fair value through profit or loss has affected our results of operations during the Track Record Period and may continue to affect our results of operations in the future.

During the Track Record Period, we purchased shares in private companies incorporated in the PRC principally engaged in non-performing loan management service, wealth management products issued by commercial banks in the PRC, and trust plans operated by licensed trust management companies in the PRC. During the Track Record Period, our financial assets at fair value through profit or loss include unlisted equity securities, wealth management products and trust plans and have experienced fluctuation of their fair values. The fair value of unlisted equity securities was RMB3.5 million, RMB10.4 million, RMB3.5 million and RMB3.5 million as of December 31, 2017, 2018, 2019 and September 30, 2020, respectively. The fair value of wealth management products was RMB3.1 million, RMB497.4 million, RMB545.7 million and RMB168.1 million as of December 31, 2017, 2018, 2019 and September 30, 2020, respectively. The fair value of trust plans was RMB33.0 million, RMB50.0 million, nil and RMB538.1 million as of December 31, 2017, 2018, 2019 and September 30, 2020, respectively. Changes of unobservable inputs such as discount rate will change the fair value of unlisted equity securities, wealth management products and trust plans we purchased.

The significant fluctuation of our financial assets at fair value through profit or loss may continue to affect our results of operations and result in fluctuation of net income/(loss) in the future. In addition, we are exposed to credit risk in relation to our investments in wealth management products and trust plans, which may adversely affect our net changes in their fair value. We cannot assure you that market conditions and regulatory environment will create fair value gains and we will not incur any losses from fair value changes on our financial assets at fair value through profit or loss in the future. If we incur such losses from fair value changes, our results of operations, financial condition and prospects may be adversely affected.

Our results of operations, financial conditions and prospects may be adversely affected by the recoverability of our trade receivables, deferred tax assets, and prepaid expenses and other current assets.

Our trade receivables are non-interest bearing and are generally on terms between 1 to 90 days. In some cases, these terms are extended for certain qualified long-term clients who have met specific

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credit requirements. As of December 31, 2017, 2018 and 2019 and September 30, 2020, our trade receivables were RMB79.1 million, RMB156.0 million, RMB203.3 million and RMB167.5 million, respectively. Our trade receivables turnover days were 50 days in 2017, 49 days in 2018, 50 days in 2019, and 64 days in the nine months ended September 30, 2020. The increase in trade receivables turnover days was primarily due to delay in payment from certain customers. Our provisions for impairment of trade receivables were RMB0.6 million, RMB3.7 million, RMB7.4 million and RMB7.7 million as of December 31, 2017, 2018, 2019 and September 30, 2020, respectively. Our management regularly reviews the recoverability of trade receivables using the expected credit loss model. See Note 31(a) to the Accountants' Report in Appendix I. We cannot assure you that all of our customers will not default on their obligations to us in the future, despite our efforts to conduct credit assessment on them.

In addition, determining income tax provision involves judgement on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. Our deferred tax assets were RMB4.4 million, RMB7.3 million, RMB11.2 million and RMB13.1 million as of December 31, 2017, 2018, 2019 and September 30, 2020, respectively. We cannot assure you that all of our deferred tax assets would be recovered as expected in the future.

Prepaid expenses and other current assets consist primarily of prepaid purchase price to key suppliers, deposits and others. Our prepaid expenses and other current assets were RMB45.5 million, RMB56.3 million, RMB77.6 million and RMB52.2 million as of December 31, 2017, 2018, 2019 and September 30, 2020, respectively. We cannot assure you that all of our suppliers or lessors will not default on their obligations to us in the future or all of our prepaid expenses and other current assets will be recovered as expected in the future.

We have a large balance of intangible assets and goodwill and we may incur significant impairment charges which could materially impact our financial position.

Our intangible assets mainly comprises of software and insurance brokerage license which was acquired in the business combination of Liming and has an indefinite useful life. Our intangible assets increased slightly from RMB23.7 million as of December 31, 2017 to RMB25.6 million as of December 31, 2018, and further to RMB29.0 million as of December 31, 2019 and RMB31.8 million as of September 30, 2020, primarily due to the procurement of our internal financial system software and other system software. See note 12 to the Accountants' Report in Appendix I for a breakdown of our intangible assets as at the end of each financial period during the Track Record Period.

Our goodwill remained the same at RMB34.1 million as of December 31, 2017, 2018 and 2019 and September 30, 2020. Goodwill is attributed to the workforce of the acquired business and significant synergies expected to arise after our acquisition of Liming in 2017. The goodwill is not expected to be deductible for tax purposes. Goodwill is fully allocated to Liming which is considered a separate cash generating unit. We performed impairment testing at the end of each reporting period. As of December 31, 2017, 2018 and 2019 and September 30, 2020, we were not aware of any indicators for the possibility of goodwill impairment, hence no impairment loss was recognised.

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While we did not recognise impairment loss for intangible assets or goodwill during the Track Record Period, we cannot assure you that there will be no such charges in the future. In particular, the failure to generate financial results commensurate with our intangible assets or goodwill estimates may adversely affect the recoverability of such intangible assets or goodwill, and in turn result in impairment losses. As we carry a substantial balance of intangible assets and goodwill, any significant impairment losses charged against our intangible assets or goodwill could have a material adverse effect on our business, financial condition and results of operations.

Future investments in and acquisitions of complementary assets, technologies and businesses may fail and may result in equity or earnings dilution or significant diversion of management attention.

We may invest in or acquire assets, technologies and businesses that are complementary to our existing business. This may include opportunities to expand our service offerings and strengthen our technology infrastructure and data analytical capabilities. Our investments or acquisitions may not yield the results we expect. In addition, investments and acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, significant amortisation expenses related to intangible assets, significant diversion of management attention and exposure to potential unknown liabilities of the acquired business. Moreover, the cost of identifying and consummating investments and acquisitions, and integrating the acquired businesses into ours, may be significant, and the integration of acquired businesses may be disruptive to our existing business operations. In the event that our investments and acquisitions are not successful, our financial condition and results of operations may be materially and adversely affected.

We may not be able to obtain additional capital when desired, on favourable terms or at all.

We believe our cash on hand and financial investments that are easily converted to cash are sufficient to meet our current and anticipated needs for general corporate purposes for at least the next 12 months. However, we need to make continued investments in facilities, hardware, software, and technological systems and retain talent to remain competitive. Due to the unpredictable nature of the capital markets and our industry, there can be no assurance that we will be able to raise additional capital on terms favourable to us, or at all, if and when required, especially if we experience disappointing operating results. If adequate capital is not available to us as required, our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our infrastructure or respond to competitive pressures could be significantly limited. If we do raise additional funds through the issuance of equity or convertible debt securities, the ownership interests of our shareholders could be significantly diluted. These newly issued securities may have rights, preferences or privileges senior to those of existing shareholders.

We will need to increase the size and capabilities of our organisation, and we may experience difficulties in managing our growth.

We expect to experience significant growth in the number of our employees and consultants and the scope of our operations, particularly in the areas of research and development and business development. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations, and have a material adverse effect on our business.

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Disruptions in the financial markets and economic conditions could affect our ability to raise capital.

Global economies could suffer dramatic downturns as the result of a deterioration in the credit markets and related financial crisis as well as a variety of other factors, including extreme volatility in securities prices, severely diminished liquidity and credit availability, ratings downgrades of certain investments and declining valuations of others. In the past, governments have taken unprecedented actions in an attempt to address and rectify these extreme market and economic conditions by providing liquidity and stability to the financial markets. If these actions are not successful, the return of adverse economic conditions may cause a significant impact on our ability to raise capital, if needed, on a timely basis and on acceptable terms or at all.

COVID-19 had a severe and negative impact on the Chinese and the global economy in the first quarter of 2020. Whether this will lead to a prolonged downturn in the economy is still unknown. China's National Bureau of Statistics reported a negative GDP growth of 6.8% for the first quarter of 2020. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. The growth rate of the Chinese economy had already been slowing since 2010. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China, even before 2020. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Moreover, the U.K. held a referendum on June 23, 2016 on its membership in the European Union, in which a majority of voters in the U.K. voted to exit the European Union ("**Brexit**"). On January 31, 2020, the U.K. withdrew from the European Union and entered into a transition period to, among other things, negotiate an agreement with the European Union governing the future relationship between the European Union and the U.K. The referendum and subsequent withdrawal of the U.K. from the European Union has created significant uncertainty about the future relationship between the U.K. and the European Union. Brexit could adversely affect European and worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets. The U.S. government has made statements and taken certain actions that may lead to potential changes to U.S. and international policies with regard to China. In addition, the impact of the 2020 U.S. presidential election results on U.S.-China relations, politically and economically, remains to be seen. Moreover, it is unknown whether and to what extent other new laws or regulations will be adopted, or the effect that any such actions would have on us or our industry. If any new legislation and/or regulations are implemented, or in particular, if the U.S. government takes retaliatory actions due to the recent U.S.-China tension, such changes could have an adverse effect on our business, financial condition and results of operations.

It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term. Any severe or prolonged slowdown in the global or Chinese economy may result in disruptions in the financial markets, which may materially and adversely affect our ability to raise capital.

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If we fail to comply with applicable anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations.

We are subject to anti-bribery laws in China that generally prohibit companies and their intermediaries from making payments to government officials for the purpose of obtaining or retaining business or securing any other improper advantage. Although we have policies and procedures designed to ensure that we, our employees and our agents comply with anti-bribery laws, there is no assurance that such policies or procedures will prevent our agents, employees and intermediaries from engaging in bribery activities. Failure to comply with anti-bribery laws could disrupt our business and lead to severe criminal and civil penalties, including imprisonment, criminal and civil fines, loss of our export licences, suspension of our ability to do business with the government, denial of government reimbursement for our products and/or exclusion from participation in government programmes. Other remedial measures could include further changes or enhancements to our procedures, policies, and controls and potential personnel changes and/or disciplinary actions, any of which could have a material adverse effect on our business, financial condition, results of operations and liquidity. We could also be adversely affected by any allegation that we violated such laws.

We face risks related to natural disaster, health epidemics and other outbreaks, such as the outbreak of COVID-19, which could significantly disrupt our operations.

Our business could be materially and adversely affected by natural disasters, health epidemics or other public safety concerns affecting the PRC, and particularly Beijing. Natural disasters may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to operate our platform and provide products and services. Our business could also be adversely affected if our employees are affected by health epidemics. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the Chinese economy in general. Our headquarters are located in Beijing, where most of our management and employees currently reside. Most of our system hardware and back-up systems are hosted in facilities located in Beijing. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect Beijing, our operations may experience material disruptions, which may materially and adversely affect our business, financial condition and results of operations.

If our preferential tax treatment becomes unavailable, our results of operations may be adversely affected.

During the Track Record Period, we enjoyed preferential tax treatment under relevant preferential tax policies. We cannot assure you that we will continue to enjoy similar preferential tax treatment in the future. Our PRC subsidiaries, our variable interest entity and its subsidiaries are generally subject to EIT at the statutory rate of 25% pursuant to the EIT Law, except for certain subsidiaries which enjoyed preferential tax treatment. Beijing Bairong has obtained the status of High and New Technology Enterprises in 2016 to enjoy a preferential enterprise income tax rate of 15% for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020. Revenue generated from Beijing Bairong entitled preferential EIT rate in each of 2017, 2018, 2019 and for the nine months ended September 30, 2020 accounted for 94%, 78%, 73% and 68% of our total revenue in the same periods, respectively. Beijing Bairong's status of High and New Technology Enterprises will expire on December 2, 2022 and we plan to apply for renewal upon its expiration. However, we cannot guarantee that our application for renewal will be approved. If we cease to be entitled to preferential tax treatment, our income tax expenses may increase, which would adversely affect our results of operations.

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Risks Relating to Our Corporate Structure

If the PRC government deems that our contractual arrangements with our variable interest entity do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Foreign ownership of internet-based businesses, such as distribution of online information, is subject to restrictions under current PRC laws and regulations. For example, foreign investors are not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider (except for e-commerce, domestic multi-party communications, storage-forwarding and call centres) and any such foreign investor must have experience in providing value-added telecommunications services overseas and maintain a good track record in accordance with the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Edition) (外商投資准入特別管理措施(負面清單)(2020年版)) issued on June 23, 2020 and effective on July 23, 2020, by the National Development and Reform Commission (the “NDRC”) and Ministry of Commerce of the PRC (“MOFCOM”), and other applicable laws and regulations.

We are a Cayman Islands exempted company and our PRC subsidiaries are considered foreign-invested enterprises. To comply with PRC laws and regulations, we conduct operations in China through our variable interest entity and its subsidiaries. We have entered into a series of contractual arrangements with our variable interest entity and its shareholders, which enable us to (i) exercise effective control over our variable interest entity, (ii) receive substantially all of the economic benefits and bear the obligation to absorb substantially all of the losses of our variable interest entity, and (iii) have an exclusive option to purchase all or part of the equity interests in our variable interest entity when and to the extent permitted by PRC laws. The contractual arrangements give us effective control over the variable interest entity and enable us to obtain substantially all of the economic benefits arising from the variable interest entity as well as to consolidate the financial results of the variable interest entity in our results of operations. For a detailed description of these contractual arrangements, see “Contractual Arrangements”.

In the opinion of our PRC Legal Adviser, (i) the ownership structure of the WFOE and our variable interest entity, currently and immediately after giving effect to this offering, does not and will not result in any violation of PRC laws and regulations currently in effect; and (ii) the contractual arrangements among the WFOE, our variable interest entity and the shareholders of our variable interest entity governed by PRC law, currently and immediately after giving effect to this offering, are and will be valid, binding and enforceable, and do not and will not result in any violation of PRC laws or regulations currently in effect. However, we have been advised by our PRC Legal Adviser that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules, and there can be no assurance that the PRC regulatory authorities will take a view that is consistent with the opinion of our PRC Legal Adviser.

It is uncertain whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or, if adopted, what they would provide. If the ownership structure, contractual arrangements and businesses of our PRC subsidiaries or our variable interest entity are found to be in violation of any existing or future PRC laws or regulations, or the WFOE or our variable interest entity fails to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the business licences and/or operating licences of such entities;

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- shutting down our servers or blocking our website, or discontinuing or placing restrictions or onerous conditions on our operations through any transactions between the WFOE and our variable interest entity;
- imposing fines, confiscating the income from the WFOE or our variable interest entity, or imposing other requirements with which we or our variable interest entity may not be able to comply;
- requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with our variable interest entity and deregistering the equity pledge of our variable interest entity, which, in turn, would affect our ability to consolidate, derive economic interests from, or exert effective control over our variable interest entity;
- restricting or prohibiting our use of the proceeds of this offering to finance our business and operations in China, and taking other regulatory or enforcement actions that could be harmful to our business;
- confiscating any of our income that they deem to be obtained through illegal operations;
- discontinuing or placing restrictions or onerous conditions on our operations;
- imposing additional conditions or requirements with which we may not be able to comply; or
- taking other regulatory or enforcement actions against us that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would, in turn, materially and adversely affect our business, financial condition and results of operations. If any of these occurrences results in our inability to direct the activities of our variable interest entity that most significantly impact its economic performance, and/or our failure to receive the economic benefits from our variable interest entity, we may not be able to consolidate that entity in our consolidated financial statements in accordance with IFRS.

Our current corporate structure and business operations may be affected by the newly enacted Foreign Investment Law.

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law (中華人民共和國外商投資法), which took effect on January 1, 2020. Along with the Foreign Investment Law, the Implementing Regulation of Foreign Investment Law (中華人民共和國外商投資法實施條例) promulgated by the State Council and the Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of the Foreign Investment Law (最高人民法院關於適用《中華人民共和國外商投資法》若干問題的解釋) promulgated by the Supreme People’s Court became effective on January 1, 2020. Since the Foreign Investment Law and its current implementation and interpretation rules are relatively new, uncertainties still exist in relation to their further application and improvement. According to the Foreign Investment Law, the “foreign investment” refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organisations (“**Foreign Investors**”), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws, regulations or guidelines of the State Council. The Foreign Investment Law and its current implementation and interpretation rules do not explicitly classify whether variable interest entities that are controlled through contractual arrangements would be deemed as foreign-invested enterprises if they are ultimately “controlled” by foreign investors.

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However, it has a catch-all provision under the definition of “foreign investment” that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations or the State Council. Therefore it still leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that our control over our variable interest entity through contractual arrangements will not be deemed as a foreign investment in the future.

The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries specified as either “restricted” or “prohibited” from foreign investment in a “negative list”. The Foreign Investment Law provides that foreign-invested entities operating in “restricted” or “prohibited” industries will require market entry clearance and other approvals from relevant PRC government authorities. Pursuant to the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Edition), the value-added telecommunication services we provide fall within the restricted category. It remains unclear that whether the “negative list” to be published pursuant to the Foreign Investment Law will differ from the current negative list. If our control over our variable interest entity through contractual arrangements is deemed as a foreign investment in the future, and any business of our variable interest entity is “restricted” or “prohibited” from foreign investment under the “negative list” effective at the time, we may be deemed to be in violation of the Foreign Investment Law, the contractual arrangements that allow us to have control over our variable interest entity may be deemed as invalid and illegal, and we may be required to unwind such contractual arrangements and/or restructure our business operations, any of which may have a material adverse effect on our business operations.

Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, 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.

We rely on contractual arrangements with our variable interest entity and its shareholders to exercise control over our business, which may not be as effective as direct ownership in providing operational control.

We have relied and expect to continue to rely on contractual arrangements with our variable interest entity and its shareholders, including the shareholder voting rights proxy agreement, to conduct our operations in China. For a description of these contractual arrangements, see “History, Reorganisation, and Corporate structure”. In particular, our ability to control our variable interest entity depends on the shareholder voting rights proxy agreement, pursuant to which each of the shareholders of Beijing Bairong irrevocably appoints the WFOE or its designated persons as his, her or its attorney-in-fact to exercise such shareholders’ rights in Beijing Bairong, including, without limitation, the power to vote on his, her or its behalf on all matters of Beijing Bairong requiring shareholder approval. We believe the rights granted under the shareholder voting rights proxy agreement are legally enforceable but may not be as effective as direct equity ownership. The shareholders of our variable interest entity may not act in the best interests of our Company or may not perform their obligations under these contracts. If we had direct ownership of our variable interest entity, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of our variable interest entity, which, in turn, could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the contractual arrangements, we would rely on legal remedies under PRC law for breach of contract in the event that our variable interest entity and its shareholders

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did not perform their obligations under the contracts. These legal remedies may not be as effective as direct ownership in providing us with control over our variable interest entity.

If our variable interest entity or its shareholders fail to perform their obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. All the agreements under our contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions, such as Hong Kong. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our variable interest entity, and our ability to conduct our business may be negatively affected. See “—Risks Relating to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us”.

If we exercise the option to acquire equity ownership and assets of Beijing Bairong, the ownership transfer may subject us to certain limitations and substantial costs.

Pursuant to the contractual arrangements, WFOE has the exclusive right to purchase all or any part of the equity interests in Beijing Bairong from its shareholders at the lowest amount allowed by the relevant PRC laws and, if there is no specific provision in the PRC laws regarding the purchase price, it shall be a nominal price.

The equity transfer may be subject to approvals from and filings with the MOFCOM or its local counterparts. In addition, the transfer price might be subject to review and tax adjustment with reference to its market value by the relevant tax authority. Where the PRC laws stipulate the lowest price above the nominal price, or the relevant tax authority refers to market value for the tax ability of Beijing Bairong and its shareholders, the shareholders of Beijing Bairong will pay the remaining amount to WFOE under the contractual arrangements. The amount to be received by WFOE may also be subject to a significant amount of enterprise income tax, which may have an adverse effect on our financial conditions.

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

The shareholders of our variable interest entity may have potential conflicts of interest with us. These shareholders may breach, or cause our variable interest entity to breach, or refuse to renew, the existing contractual arrangements we have with them and our variable interest entity, which would have a material and adverse effect on our ability to effectively control our variable interest entity and receive economic benefits from it. For example, the shareholders may be able to cause our agreements with our variable interest entity to be performed in a manner adverse to us by, among other things, failing to

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remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise, any or all of these shareholders will act in the best interests of our Company or such conflicts will be resolved in our favour.

Currently, we have limited means to address potential conflicts of interest between these shareholders and our Company. For the shareholders who are also our directors and executive officers, we rely on them to abide by the laws of the Cayman Islands and China, which provide that directors owe a fiduciary duty to the company that requires them to act in good faith and in what they believe to be the best interests of the company and not to use their position for personal gain. There is currently no specific and clear guidance under PRC laws that address any conflict between PRC laws and laws of the Cayman Islands in respect of any conflict relating to corporate governance. If we cannot resolve any conflict of interest or dispute between us and the shareholders of our variable interest entity, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

Our contractual arrangements with our variable interest entity may be subject to scrutiny by the PRC tax authorities and they may determine that we or our variable interest entity owe additional taxes, which could negatively affect our financial condition and the value of your investment.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. Under the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) amended and effective on December 29, 2018 (the “**Enterprise Income Tax Law**”), every enterprise in China must submit its annual enterprise income tax return together with a report on transactions with its related parties to the relevant tax authorities. The PRC tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm’s length principles. On June 27, 2019, the WFOE entered into various agreements which constitute the Contractual Arrangements with our variable interest entity and its registered shareholders, under which we are able to exercise effective control over our variable interest entity and all economic benefits arising from the businesses of our variable interest entity are transferred to the WFOE to the extent permitted under PRC laws by means of services fees payable by our variable interest entity to the WFOE. We may face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements between the WFOE, our variable interest entity, and its shareholders were not entered into on an arm’s length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust our variable interest entity’s taxable income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by our variable interest entity for PRC tax purposes, which could, in turn, increase its tax liabilities without reducing the WFOE’s tax expenses. PRC tax authorities may form the view that our variable interest entity or our subsidiaries have improperly minimized their tax obligations, and we may not be able to rectify any such incident within the limited timeline required by PRC tax authorities. In addition, if the WFOE requests the shareholders of our variable interest entity to transfer their equity interests in our variable interest entity at nominal or no value pursuant to the contractual agreements, such transfer could be viewed as a gift and subject the WFOE to PRC income tax. Furthermore, the PRC tax authorities may impose late payment fees and other penalties on our variable interest entity for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if our variable interest entity’s tax liabilities increase or if it is required to pay late payment fees and other penalties.

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We may lose the ability to use and benefit from assets held by our variable interest entity and its subsidiaries that are material to the operation of our business if the entity goes bankrupt or become subject to a dissolution or liquidation proceeding.

As part of our contractual arrangements with our variable interest entity, the variable interest entity holds certain assets that are material to the operation of our business. If our variable interest entity goes bankrupt and all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. Under the contractual arrangements, our variable interest entity may not, in any manner, sell, transfer, mortgage or otherwise dispose of its assets or legal or beneficial interests in the business without our prior consent. If our variable interest entity undergoes a voluntary or involuntary liquidation proceeding, unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

Risks Relating to Doing Business in China

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

Substantially all of our operations are conducted in China. Accordingly, our results of operations, financial condition and prospects are influenced by economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The PRC government exercises significant control over China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. While the PRC economy has experienced significant growth over the past decades, that growth has been uneven across different regions and between economic sectors and may not continue. The growth rate of the Chinese economy has gradually slowed since 2010, and the impact of COVID-19 on the Chinese economy in 2020 is likely to be severe. Any prolonged slowdown in the Chinese economy may reduce our clients' demand for our products and services and materially and adversely affect our business and results of operations. Furthermore, any adverse changes in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and results of operations, lead to reduction in demand for our products and services and adversely affect our competitive position.

Uncertainties with respect to the PRC legal system could adversely affect us.

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, the interpretation and enforcement of these laws and regulations involve uncertainties. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection available to you and us.

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Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty 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.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related businesses and companies.

The PRC government extensively regulates the internet industry, including foreign ownership and the licencing and permit requirements for companies in the internet industry. See “Regulations—Regulations on Value-Added Telecommunications Services”. These laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations. In addition, given the evolving regulatory environment, we cannot be certain whether the PRC communication administration authority or other government authorities will require our variable interest entity or any of its subsidiaries to obtain an electronic data interchange licence, or EDI licence, or other telecommunication business licence. If any such telecommunication business licence is required in the future, we cannot assure you that we would be able to obtain the EDI licence in a timely manner.

Due to the restriction of foreign investment in businesses providing value-added telecommunication services in China, including internet information provision services, we rely on the contractual arrangements with our variable interest entity to provide such services. Beijing Bairong, our variable interest entity, and Guangzhou Shurong Internet Micro-lending Co., Ltd., a wholly owned subsidiary of our variable interest entity, each currently hold an ICP licence and own the relevant domain names and trademarks in connection with our business and operates our website. However, any challenge to the validity of these arrangements may significantly disrupt our business, subject us to sanctions, compromise enforceability of our contractual arrangements, or have other harmful effects on us.

Although we believe that we are not explicitly required to obtain a separate licence for our mobile applications, there can be no assurance that we will not be required to apply for such licence in the future.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our business. We cannot assure you that we have obtained all the permits or licences required for conducting our business in China or will be able to maintain our existing licences or obtain new ones.

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

We are a holding company, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. Additionally, if our PRC subsidiaries incur debt on their own behalf in the future, the instruments

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governing their debt may restrict their ability to pay dividends or make other distributions to us. Furthermore, the PRC tax authorities may require our PRC subsidiaries to adjust their taxable income under the contractual arrangements they currently have in place with our variable interest entity in a manner that would materially and adversely affect their ability to pay dividends and other distributions to us. See “—Risks Relating to Our Corporate Structure—Our contractual arrangements with our variable interest entity and its subsidiaries may be subject to scrutiny by the PRC tax authorities and they may determine that we or our variable interest entity owe additional taxes, which could negatively affect our financial condition and the value of your investment”.

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

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

The value of Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes 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. In July 2005, the PRC government changed its decades-old policy of pegging the value of Renminbi to the U.S. dollar, and Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. With the development of the foreign exchange market and progress towards interest rate liberalisation and Renminbi internationalisation, the PRC government may in the future announce further changes to the exchange rate system and we cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the 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, our Shares in foreign currency. 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 complete filings with and obtain approvals from SAFE 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, our Shares in foreign currency terms.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of our offshore offerings to make loans to or make additional capital contributions to the WFOE or our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Under PRC laws and regulations, we are permitted to utilise the proceeds from this Global Offering to fund our PRC subsidiaries by making loans to or additional capital contributions to our PRC

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subsidiaries, subject to applicable government registration and approval requirements. These PRC laws and regulations may significantly limit our ability to use Renminbi converted from the net proceeds of this Global Offering to fund the establishment of new entities in China by our PRC subsidiaries, to invest in or acquire any other PRC companies through our PRC subsidiaries, or to establish a new variable interest entity in China. According to the relevant PRC regulations on foreign-invested enterprises in the PRC, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System, and registration with other governmental authorities in the PRC. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local counterparts; 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 the Foreign Investment Comprehensive Management Information System. Any medium or long-term loan to be provided by us to our variable interest entity and its subsidiaries must be recorded and registered by the NDRC and SAFE or its local counterparts. Moreover, we cannot assure you that we will be able to complete the necessary registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we received or expect to receive from our offshore offerings and to capitalise or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises (“**Circular 19**”), which took effect on June 1, 2015 and was amended on December 30, 2019. 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 RMB funds converted from their foreign exchange capital for expenditures beyond their business scopes. On June 9, 2016, the SAFE promulgated the Notice on Reforming and Standardising the Administrative Provisions on Capital Account Foreign Exchange (“**Circular 16**”). Circular 16 prohibits foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capital for expenditure beyond their 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 not for self-use. Circular 19 and Circular 16 may significantly limit our ability to transfer to and use the loans or investment in the PRC, which may materially and adversely affect our business, financial condition and results of operations.

Governmental control of currency conversion may limit our ability to utilise our revenue effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. 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 prior approval from SAFE by complying with certain procedural requirements. 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.

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Since 2016, the PRC government has tightened its foreign exchange policies again and stepped up scrutiny of major outbound capital movement. More restrictions and a substantial vetting process have been put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may also restrict access in the future to foreign currencies for current account transactions, at its discretion. We receive substantially all of our revenue in RMB. 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, including holders of our Shares.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC law.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles (國家外匯管理局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) (“**Circular 37**”). Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities as well as foreign individuals with a habitual residence in China due to economic interests) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. Circular 37 further requires amendment to the SAFE registrations in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as change of the offshore special purpose vehicle's name and operation term, or any significant changes with respect to the PRC individual shareholder, such as increase or decrease of capital contribution, share transfer or exchange, or mergers or divisions. Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future.

If our shareholders who are PRC residents fail to make the required registration or to update the previously filed registration, our PRC subsidiaries may be prohibited from distributing their profits or the proceeds from any capital reduction, share transfer or liquidation to us, and we may also be prohibited from making additional capital contributions into our PRC subsidiaries. In February 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (“**Notice 13**”), effective June 2015, and further amended by SAFE on December 30, 2019. Under Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

All of our shareholders who we are aware of being subject to the SAFE regulations have completed the initial registrations with the local SAFE branch or qualified banks as required by Circular 37. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our Company, and we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or continuously comply with all requirements under Circular 37 or other related rules. The failure or inability of the relevant shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, such as restrictions on our cross-border investment activities, on the ability of our wholly foreign-owned subsidiaries in China to distribute dividends and the proceeds from any reduction in capital, share transfer or liquidation to us. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for

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circumventing applicable foreign exchange restrictions. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

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

The M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Such regulation requires, among other things, that the foreign investor should submit a declaration to the MOFCOM in advance of any change-of-control transaction in which a foreign investor acquires control of a PRC domestic enterprise and involves any of the following circumstances: (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honoured brand. We do not expect that any of our further merger and acquisition will trigger the requirement to submit such declaration to MOFCOM under each of the above-mentioned circumstances or any review by other PRC government authorities. Moreover, the Anti-Monopoly Law (中華人民共和國反壟斷法) promulgated by the Standing Committee of the NPC which became effective in 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by MOFCOM before they can be completed. In addition, Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, effective in September 2011, requires acquisitions by foreign investors of PRC companies engaged in certain industries that are crucial to national security be subject to security review before consummation of any such acquisition. We may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Under SAFE regulations, PRC residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local branches and complete certain other procedures. See “Regulations—Regulations on Stock Incentive Plans”. We and our PRC resident employees who participate in our share incentive plans will be subject to these regulations when our Company becomes publicly listed in Hong Kong. If we or any of these PRC resident employees fail to comply with these regulations, we or such employees may be subject to fines and other legal or administrative sanctions. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law.

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

Under the Enterprise Income Tax Law and its implementing rules, an enterprise established outside of the PRC with a “*de facto* management body” within the PRC is considered a PRC resident enterprise. The implementing rules define the term “*de facto* management body” as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts

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and properties of an enterprise. The SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People's Republic of China Tax Resident Enterprises on the Basis of *De Facto* Management Bodies on April 22, 2009 and most recently amended on December 29, 2017 (“**Circular 82**”), which provides certain specific criteria for determining whether the “*de facto* management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, the criteria set forth in the circular may reflect the SAT 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 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 the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made by or are subject to approval by organisations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “*de facto* management body”. If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we will be subject to the enterprise income tax on our global income at the rate of 25% and we will be required to comply with PRC enterprise income tax reporting obligations.

We may be subject to PRC withholding tax on your dividends from us and PRC income tax on any gain realised on the transfer of our Shares.

Under the current tax law in China, any dividends paid by us to non-PRC enterprise shareholders may be subject to PRC withholding tax at a rate of 10% in the case of non-PRC enterprise shareholders or 20% in the case of non-PRC individual shareholders if such dividends are deemed to be from PRC sources. In addition, gains realised on the sale or other disposition of our Shares may be subject to PRC tax at a rate of 10% in the case of non-PRC enterprise shareholders or 20% in the case of non-PRC individual shareholders if such gains are deemed to be from PRC sources. Any PRC tax liability may be reduced under applicable tax treaties. However, it is unclear whether non-PRC shareholders 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 PRC tax may reduce the returns on your investment in the Class B Shares.

We may not be able to obtain certain benefits under the relevant tax arrangement for dividends paid by our PRC subsidiaries to us through Bairong HK Limited.

We are a holding company incorporated under the laws of the Cayman Islands and as such rely on dividends and other distributions on equity from our PRC subsidiaries to satisfy part of our liquidity requirements. Pursuant to the Enterprise Income Tax Law, a withholding tax rate of 10% currently applies to dividends paid by a PRC “resident enterprise” to a foreign enterprise investor, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for preferential tax treatment. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income, effective August 21, 2006, such withholding tax rate may be lowered

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to 5% if a Hong Kong resident enterprise owns no less than 25% of a PRC enterprise's shares directly. On February 3, 2018, the SAT promulgated the Announcement of the State Administration of Taxation on Issues concerning "Beneficial Owners" in Tax Treaties which specifies different factors to be taken into consideration when analysing whether an applicant could be recognised as a beneficial owner. If our Hong Kong subsidiaries are not considered as beneficial owner, they could not enjoy the tax preferential rate of 5%.

Furthermore, the Administrative Measures for Non-Resident Taxpayers to Enjoy Treaty Benefits, which became effective in January 2020, require non-resident enterprises to determine whether they are qualified to enjoy the preferential tax treatment under the tax treaties and file relevant materials with the tax authorities. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. See "Financial Information—Taxation—China". We intend to re-invest all earnings generated from our PRC subsidiaries for the operation and expansion of our business in China in the foreseeable future. We cannot assure you that our determination regarding our qualification to enjoy the preferential tax treatment will not be challenged by the relevant tax authority or we will be able to complete the necessary filings with the relevant tax authority and enjoy the preferential withholding tax rate of 5% under the arrangement with respect to any dividends to be paid by our PRC subsidiaries to Bairong HK Limited.

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

The SAT issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises on February 3, 2015 ("**Bulletin 7**"), and amended on October 17, 2017 and December 29, 2017, which partially replaced and supplemented previous rules under the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises ("**Circular 698**"), which was issued by the SAT in 2009. Pursuant to Bulletin 7, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterised and treated as a direct transfer of PRC taxable assets, if the arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from the indirect transfer may be subject to PRC enterprise income tax. According to Bulletin 7, "PRC taxable assets" include assets attributed to an establishment in China, immovable properties located in China, and equity investments in PRC resident enterprises. Gains derived from the transfer of PRC taxable assets by a direct holder that is a non-PRC resident enterprise is subject to PRC enterprise income taxes. When determining whether an arrangement has a "reasonable commercial purpose", the following factors are considered:

- whether the value of the equity interest of the relevant offshore enterprise is mainly derived from PRC taxable assets;
- whether the assets of the relevant offshore enterprise mainly consist of direct or indirect investment in China;
- whether the income of the relevant offshore enterprise is mainly generated from China;
- whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature as evidenced by actual function and risk exposure;
- for how long the existing business model and organisational structure of the relevant offshore enterprise has existed;

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- the replicability of the arrangement by direct transfer of PRC taxable assets; and
- the tax situation of such indirect transfer and applicable tax treaties or similar arrangements.

Gains derived from an indirect offshore transfer of assets of a PRC establishment or place of business are to be included in the enterprise income tax filing of the PRC establishment or place of business, and are subject to a PRC enterprise income tax rate of 25%. In case of a transfer of immovable properties located in China or of equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax rate of 10% applies, subject to available preferential tax treatment under applicable tax treaties or similar arrangements. The party who is obligated to pay for the transfer has the withholding obligation with respect to the transfer. Where the payor fails to withhold sufficient tax, the transferor is required to declare and pay such tax to the tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest. Bulletin 7 does not apply to sales of shares by investors through a public stock exchange if the shares were acquired by the investors through a public stock exchange.

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

It may be difficult to effect service of process upon us or our directors or officers named in this document who reside in China or to enforce foreign court judgements against them in China.

Most of our assets are situated in China and most of our directors and officers named in this document reside in, and most of their respective assets are located in, China. As a result, it may be difficult to effect service of process outside China upon most of our directors and officers, including with respect to matters arising under applicable securities laws. It may be difficult for you to enforce against us or our directors or officers in China any judgements obtained from courts outside of China.

On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “**2006 Arrangement**”), pursuant to which a party with a final judgement rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgement in China. Similarly, a party with a final judgement rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgement in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgement rendered by a Hong Kong court in

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China if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain. On January 18, 2019, the Supreme People's Court and the Hong Kong SAR Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “**2019 Arrangement**”), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgements in a wider range of civil and commercial matters between Hong Kong and the PRC, based on criteria other than a written bilateral choice of court agreement. The 2019 Arrangement will only take effect from its commencement date, which is not yet known. The 2019 Arrangement will, upon its effectiveness, supersede the 2006 Arrangement. However, the 2006 Arrangement will continue to apply to a choice of court agreement in writing signed before the 2019 Arrangement comes into effect. Therefore, before the 2019 Arrangement becomes effective, recognition and enforcement in the PRC of judgements of a foreign court may be difficult or even impossible.

Risks Relating to our WVR structure

The concentration of our Share ownership limits our Shareholders' ability to influence corporate matters.

Our Company will be controlled through weighted voting rights. Each Class A Share has 10 votes per share and each Class B Share has one vote per share, except with respect to voting on resolutions on the Reserved Matters, in relation to which each Share is entitled to one vote. Immediately after completion of the Global Offering, Mr. Zhang will be the WVR Beneficiary and will beneficially own all of our issued and outstanding Class A Shares, which represent approximately 67.23% of the voting power of our issued and outstanding share capital for resolutions in relation to matters other than the Reserved Matters. Mr. Zhang therefore has significant influence over management and affairs of our Company, and over all matters requiring shareholder approval, including the election of directors (excluding the appointment, election or removal of any independent non-executive Director) and significant corporate transactions, such as a merger or other sale of our company or our assets, for the foreseeable future. In addition, because each Class B Share carries only one-tenth of the voting rights of each Class A Share (except as required by applicable law and in relation to the Reserved Matters), the issuance of the Class B Shares, including future stock-based acquisition transactions and employee equity incentive programmes, could prolong the duration of the WVR Beneficiary's ownership of our voting power immediately after the completion of Global Offering and their ability to determine the outcome of most matters submitted to a vote of our Shareholders. For further details about our shareholding structure, see “Share capital—Weighted voting rights structure”.

This concentrated control limits or severely restricts our Shareholders' ability to influence corporate matters and, as a result, we may take actions that our Shareholders do not view as beneficial. As a result, the market price of our Offer Shares could be adversely affected.

Holders of our Class A Shares may exert substantial influence over us and may not act in the best interests of our independent Shareholders.

Following completion of the Global Offering, the WVR Beneficiary will be in a position to exert significant influence over the affairs of our company and will be able to influence the outcome of any shareholders' resolutions, irrespective of how other shareholders vote. The interests of the holders of our Class A Shares may not necessarily be aligned with the interests of our Shareholders as a whole,

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and this concentration of voting power may also have the effect of delaying, deferring or preventing a change in control of our company.

Risks Relating to the Global Offering

There has been no prior public market for our Class B Shares and the liquidity and market price of our Class B Shares may be volatile.

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

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

The trading price of our Class B 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 China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Class B Shares. A number of China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have 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 China-based companies listed in Hong Kong and consequently may impact the trading performance of our Class B Shares. These broad market and industry factors may significantly affect the market price and volatility of our Class B Shares, regardless of our actual operating performance.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and substantial shareholders, could adversely affect the market price of our Class B Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Class B Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our substantial shareholders are subject to certain lock-up periods beginning on the date on which trading in our Class B Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Class B Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Class B Shares they may own now or in the future.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the Offer Price of our Class B Shares is higher than the net tangible book value per Class B Share of our Shares immediately prior to the Global Offering, purchasers of our Class B Shares in the Global

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Offering will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Class B Shares in the Global Offering may experience further dilution in their shareholding percentage.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert reports, contained in this document.

This document, particularly the section headed “Industry Overview”, contains information and statistics relating to the industry in which we operate. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practise, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and 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 document, there has 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 document, including certain operating and financial information and projections, valuations and other information. We have not authorised 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 document, we disclaim responsibility for it and you should not rely on such information.

WAIVERS AND EXEMPTIONS

In preparation for the Listing, we have sought the following waivers from strict compliance with the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Our Group's management headquarters, senior management, business operations and assets are primarily based outside Hong Kong. The Directors consider that the appointment of executive directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between the Stock Exchange and us by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorised representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorised representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorised representatives are authorised to communicate on our behalf with the Stock Exchange. At present, our two authorised representatives are Mr. Zhao Hongqiang and Ms. Leung Shui Bing (梁瑞冰) (“**Ms. Leung**”);
- (b) pursuant to Rule 3.20 of the Listing Rules, each Director will provide their contact information to the Stock Exchange and to the authorised representatives. This will ensure that the Stock Exchange and the authorised representatives should have means for contacting all Directors promptly at all times as and when required;
- (c) we will endeavour to ensure that each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period; and
- (d) pursuant to Rules 3A.19 and 8A.33 of the Listing Rules, we have retained the services of CMBC International Capital Limited as compliance adviser (the “**Compliance Adviser**”), who will act as an additional channel of communication with the Stock Exchange.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (i) a member of The Hong Kong Institute of Chartered Secretaries;
- (ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

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(iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

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

- (i) length of employment with the issuer and other issuers and the roles they played;
- (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

Our Company appointed Ms. Leung of TMF Hong Kong Limited and Mr. Chen Chunyang (陳春陽) (“**Mr. Chen**”), as joint company secretaries. See “Directors and senior management—Joint company secretaries” for their biographies.

Ms. Leung is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators), and therefore meets the qualification requirements under Rule 3.28 Note 1 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

The Company’s principal business activities are outside Hong Kong. The Company believes that it would be in the best interests of the Company and the corporate governance of the Group to have as its joint company secretary a person such as Mr. Chen, who is an employee of the Company and who has day-to-day knowledge of the Company’s affairs. Mr. Chen has the necessary nexus to the Board and close working relationship with management of the Company in order to perform the function of a joint company secretary and to take the necessary actions in the most effective and efficient manner.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules for a three year period from the Listing Date on the conditions that (i) the waiver will be revoked immediately if Ms. Leung (being a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary), ceases to provide assistance to Mr. Chen throughout the three year period, and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the Company.

WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

We have entered into, and expect to continue, certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with Chapter 14A of the Listing Rules. See “Connected transactions” for further details.

WAIVER AND EXEMPTION IN RESPECT OF THE 2019 ESOP

Pursuant to Rule 17.02(1)(b) of, and paragraph 27 of Part A of Appendix 1 to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous

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Provisions) Ordinance, this document is required to include, among other things, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it, the names and addresses of the persons to whom it or the right to it was given, and their potential dilution effect on the shareholding upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options.

As of the Latest Practicable Date, we had granted outstanding options under the 2019 ESOP to 205 grantees to subscribe for an aggregate of 9,206,298 shares with a par value of US\$0.0001 each (to be adjusted to 46,031,490 Class B Shares upon the Share Subdivision), representing 9.29% of the total number of Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under Share Schemes). See “Statutory and general information—Share Schemes” in Appendix V for details.

Our Company has applied to the Stock Exchange and the SFC for (a) a waiver from strict compliance with Rule 17.02(1)(b) of, and paragraph 27 of Part A of Appendix 1 to, the Listing Rules, and (b) an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

- (a) given that 205 grantees are involved, strict compliance with such disclosure requirements in setting out full details of all the grantees under the 2019 ESOP in this document on an individual basis would be costly and unduly burdensome for the Company in light of a significant increase in cost and time for information compilation, disclosure preparation;
- (b) strict compliance with such disclosure requirements in setting out full details of all the grantees requires the Company to seek and obtain consent from each of the 205 grantees, in order to comply with personal data privacy laws and principles, which would be significantly time consuming, and administratively burdensome and costly;
- (c) given the nature of the business of the Company, it is extremely important for the Company to recruit and retain talents, and the success of the Company’s long-term development plan will very much depend on the loyalty and contribution of the grantees, whereas the information relating to the share options granted to the grantees is highly sensitive and confidential;
- (d) as of the date of this document, only 5 grantees were Directors, senior management or connected persons of the Company, and the remaining 200 grantees were only employees or consultants of the Group; therefore disclosure of names, addresses and entitlements on an individual basis in this document will require a substantial volume of additional disclosure that does not provide any material information to the investing public;
- (e) material information relating to the options under the 2019 ESOP will be disclosed in this document, including the total number of Class B Shares subject to the 2019 ESOP, the exercise price per Class B Share, the potential dilution effect on the shareholding and impact on the earnings per Class B Share upon the full exercise of the options granted under the 2019 ESOP;
- (f) the proposed alternative disclosure contains such particulars and information which is necessary to enable an investor to make an informed assessment of the activities, assets, liabilities, financial position, management and prospects of the Company; and
- (g) the grant and exercise in full of the options under the 2019 ESOP would not cause any material adverse impact on the financial position of the Company.

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The Stock Exchange has granted a waiver from strict compliance with Rule 17.02(1)(b) of, and paragraph 27 of Part A of Appendix 1 to, the Listing Rules on the conditions that:

- (i) on an individual basis, full details of options under the 2019 ESOP granted to each of the Directors, members of the senior management of the Group, and connected persons of our Company and individual grantees who have been granted outstanding options to subscribe for 340,000 Class B Shares or above, are disclosed in the prospectus on an individual basis, including all the particulars required under Rule 17.02(1)(b) of, and paragraph 27 of Part A of Appendix 1 to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (ii) in respect of options under the 2019 ESOP granted to other grantees (other than those set out in (i) above), disclosure be made on an aggregated basis by bands based on the number of Class B Shares underlying each individual grant (being 1-50,000 Class B Shares, 50,001-100,000 Class B Shares, 100,001-150,000 Class B Shares, 150,001-300,000 Class B Shares, and 300,001-340,000 Class B Shares), and for each band, disclosure be made on an aggregated basis including (1) the aggregate number of other grantees and the number of Class B Shares subject to the options granted to them under the 2019 ESOP, (2) the consideration paid for the grant of the options granted under the 2019 ESOP, and (3) the exercise period and the exercise price for the options granted under the 2019 ESOP;
- (iii) the aggregate number of Class B Shares underlying the options granted under the 2019 ESOP and the percentage of our Company's total issued share capital represented by such number of Class B Shares as of the Latest Practicable Date be disclosed;
- (iv) the dilution effect and impact on earnings per Share upon the full exercise of the options granted under the 2019 ESOP be disclosed;
- (v) a summary of the major terms of the 2019 ESOP be disclosed;
- (vi) the particulars of the waiver be disclosed; and
- (vii) the grant of a certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the Securities and Futures Commission exempting the Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The SFC has granted a certificate of exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

- (i) on an individual basis, full details of options under the 2019 ESOP granted to each of the Directors, members of the senior management of the Group, and connected persons of our Company and individual grantees who have been granted outstanding options to subscribe for 340,000 Class B Shares or above, are disclosed in the prospectus, such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (ii) in respect of options under the 2019 ESOP granted to other grantees (other than those set out in (i) above), disclosure be made on an aggregated basis by bands based on the number of Class B Shares underlying each individual grant (being 1-50,000 Class B Shares, 50,001-100,000 Class B Shares, 100,001-150,000 Class B Shares, 150,001-300,000 Class B Shares, and 300,001-340,000 Class B Shares), and for each band, disclosure be made on an aggregated basis including (1) the aggregate number of other grantees and the number of Class B Shares subject to the options granted to them under the 2019 ESOP, (2) the consideration paid for the grant of the options granted under the 2019 ESOP, and (3) the exercise period and the exercise price for the options granted under the 2019 ESOP; and

WAIVERS AND EXEMPTIONS

(iii) the particulars of the exemption be disclosed in this document, which document will be issued on or before March 19, 2021.

WAIVER IN RESPECT OF PRINTED COPIES OF THE PROSPECTUS

Pursuant to Rules 12.04(3), 12.07 and 12.11 of the Listing Rules, this document is required to be available in printed form.

Given the advancement of technology in recent years and high internet penetration rate in Hong Kong, it is no longer necessary for an investor to travel to the location where copies of a printed listing document are made available. It is also environmentally unfriendly and time and cost ineffective. Moreover, electronic submission is the method preferred by retail investors.

Accordingly, we have applied for, and the Stock Exchange has granted, waivers from strict compliance with Rules 12.04(3), 12.07 and 12.11 of the Listing Rules in respect of the availability of copies of this document in printed form.

We have adopted a fully electronic application process for the Hong Kong Offering and we will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Offering.

Our Hong Kong Share Registrar will put in place enhanced measures to support the White Form eIPO service under the fully-electronic offering process, including increasing server capacity of its website, setting up a telephone hotline to respond to enquiries from retail investors about the fully electronic application process. See “How to apply for Hong Kong Offer Shares” for details of the telephone hotline and application process.

We will adopt additional communication measures to inform and prominently highlight to potential investors that they can only subscribe for the Hong Kong Offer Shares electronically, including publishing the formal notice of the Global Offering on the website of the Stock Exchange and our Company and in selected English and Chinese-language newspapers describing the fully electronic application process, the available channels for share subscription of the Hong Kong Offer Shares and the enhanced support provided by our Hong Kong Share Registrar and reminding investors that no printed prospectuses or application form will be available.

WAIVER AND EXEMPTION IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

Pursuant to Rule 4.04(1) of, and paragraphs 33 and 53(5) of Part A of Appendix 1 to, the Listing Rules, and section 342(1)(b) in relation to paragraphs 27 of Part I and 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this document is required to include, among other things, details of the financial results of the Company for the financial year immediately preceding the issue of this document, being the year ended December 31, 2020.

Pursuant to section 342A(1) of Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may, subject to such conditions (if any) as the SFC thinks fit, issue a certificate of exemption from compliance with any requirements under Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The Accountants' Report set out in Appendix I to this document only contains the audited consolidated financial statements of our Company for the three years ended December 31, 2019 and the nine months ended September 30, 2020. However, the preliminary unaudited financial information for the year

WAIVERS AND EXEMPTIONS

ending December 31, 2020 and a commentary on the results for the year have been included in Appendix III.

Accordingly, we have applied to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of, and paragraphs 33 and 53(5) of Part A of Appendix 1 to, the Listing Rules (the “**Waiver**”), and to the SFC for a certificate of exemption pursuant to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with section 342(1)(b) in relation to paragraphs 27 of Part I and 31 of Part II of the Third Schedule to Companies (Winding Up and Miscellaneous Provisions) Ordinance (the “**Exemption**”), as the exemption will not prejudice the interests of the investing public and strict compliance with all of the above requirements would be unduly burdensome, for the following reasons:

- (i) it would be unduly burdensome for the Company to produce audited accounts for the financial year ended December 31, 2020 shortly after year end (as this would involve a substantial volume of work to prepare, update and finalise the Accountants’ Report including financial information for the year ended December 31, 2020 for inclusion in this document and the relevant sections of this document will need to be updated to cover such additional period), and would hinder the listing timetable contemplated (as the additional time required to prepare and have such information reviewed would prevent the timely publication of this document);
- (ii) our Directors and the Joint Sponsors confirm that after performing sufficient due diligence work, there has been no material adverse change in the business, assets and liabilities, financial position, trading positions, management or prospects of the Group since September 30, 2020 (being the date on which the latest audited consolidated financial statement of the Group were made up) and up to the date of this document, and there has been no event since September 30, 2020 which would materially affect the information contained in the Accountants’ Report, in the unaudited financial information of the Group for the year ended December 31, 2020, in “Financial information” and in other parts of this document;
- (iii) in accordance with Guidance Letter HKEX-GL25-11, the preliminary unaudited financial information for the year ended December 31, 2020 and a commentary on the results for the year has been included in this document, which (a) follow the same content requirements as for a preliminary results announcements under Rule 13.49(1) of the Listing Rules and (b) is agreed with the reporting accountants following their work under Practice Note 730 (Revised) “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants, providing reasonably sufficient information to enable potential investors to have an informed assessment of our Group and, as such, the Waiver and Exemption would not prejudice the interests of the investing public; and
- (iv) the Company’s legal adviser as to the Cayman Islands law has confirmed that the Company will not breach its Articles or laws and regulations of the Cayman Islands regarding its obligation to publish annual results announcements if the Company does not publish its preliminary results announcements for the year ended December 31, 2020 in accordance with Rule 13.49(1) of the Listing Rules. Pursuant to the Note to Rule 13.49(1) of the Listing Rules, we will publish an announcement after Listing and no later than March 31, 2021 stating that the relevant financial information has been included in this listing document.

The Stock Exchange has granted the Waiver on the condition that:

- (i) this document include the preliminary unaudited financial information for the year ended December 31, 2020 and a commentary on the results for the year, which (a) follow the same content requirements as for a preliminary results announcements under Rule 13.49(1) of the Listing Rules and (b) is agreed with the reporting accountants following their work under Practice

WAIVERS AND EXEMPTIONS

Note 730 (Revised) “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants;

- (ii) we shall list on the Stock Exchange within three months after the latest financial year end of our Company (i.e. on or before March 31, 2021); and
- (iii) we obtain a certificate of exemption from the SFC pursuant to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with section 342(1)(b) of in relation to paragraphs 27 of Part I and 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The SFC has granted the Exemption on the condition that:

- (i) this document will be issued on or before March 19, 2021, and the Class B Shares will be listed on or before March 31, 2021; and
- (ii) the particulars of the Exemption are set out in this document.

WAIVER IN RESPECT OF PROPOSED SHARE SUBSCRIPTION BY CHINA STRUCTURAL REFORM FUND THROUGH HT AM

Paragraph 5(1) 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 “connected clients” of the lead broker or of any distributors.

Paragraph 13(7) of the Appendix 6 states that “connected client” in relation to an exchange participant means any client which is a member of the same group of companies as such exchange participant.

For the purpose of the cornerstone investment, China Structural Reform Fund Corporation Limited (“**China Structural Reform Fund**”) has engaged Shanghai Haitong Securities Asset Management Co., Ltd. (“**HT AM**”), an asset manager that is a qualified domestic institutional investor as approved by the relevant PRC authority, to subscribe for and hold such Offer Shares on a discretionary basis on behalf of China Structural Reform Fund.

HT AM is a subsidiary of Haitong Securities Co., Ltd. (“**HT Securities**”), the parent company of Haitong International Securities Company Limited (“**HTI Securities**”). Accordingly, HT AM is a connected client of HTI Securities. HTI Securities has been appointed by the Company as one of the Joint Bookrunners of the Global Offering.

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit China Structural Reform Fund to participate in the Global Offering through HT AM as a cornerstone investor subject to the following conditions:

- (i) any Class B Shares to be allocated to HT AM will be held for, and on behalf of, China Structural Reform Fund, an Independent Third Party;
- (ii) the cornerstone investment agreement in relation to HT AM does not contain any material terms which are more favourable to HT AM than those in other cornerstone investment agreements;
- (iii) HTI Securities has not participated, and will not participate, in the decision-making process or relevant discussion among the Company, the Joint Bookrunners and the Underwriters as to whether China Structural Reform Fund (through HT AM) will be selected as a cornerstone investor;

WAIVERS AND EXEMPTIONS

- (iv) no preferential treatment has been, nor will be, given to HT AM by virtue of its relationship with HTI Securities other than the preferential treatment of assured entitlement under a cornerstone investment following principles set out in HKEX-GL51-13;
- (v) each of the Joint Sponsors, the Company, the Joint Bookrunners, HT AM and HTI Securities has provided the Stock Exchange a written confirmation in accordance with HKEX-GL85-16; and
- (vi) details of the allocation has been/will be disclosed in the prospectus and the allotment results announcement.

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT

This document, 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 our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this document misleading.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This document is published solely in connection with the Hong Kong Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Offering of initially 12,383,000 Class B Shares and the International Offering of initially 111,439,500 Class B Shares (subject, in each case, to reallocation on the basis referred to under the section headed "Structure of the Global Offering" and without taking into account the Over-allotment Option).

The listing of our Class B Shares on the Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or about the Price Determination Date, subject to determination of the pricing of the Offer Shares. Further information regarding the Underwriters and the underwriting arrangements are set out in "Underwriting".

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

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

Further information regarding the structure of the Global Offering, including its conditions, is set out in the section headed "Structure of the Global Offering" and the procedures for applying for our Class B Shares are set out in "How to Apply for Hong Kong Offer Shares".

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (on behalf of the Underwriters) and us on or around Wednesday, March 24, 2021 and in any event no later than Tuesday, March 30, 2021.

If the Joint Global Coordinators (on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price on or before Tuesday, March 30, 2021 or such later date or time as

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

may be agreed between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE CLASS B SHARES

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

No action has been taken to permit a public offering of the Offer Shares or the distribution of this document in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this document may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this document and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, (i) the Class B Shares in issue (including the Class B Shares on conversion of the Pre-IPO Preferred Shares and after the Share Subdivision), (ii) the Class B Shares to be issued pursuant to the Global Offering (including the additional Class B Shares which may be issued pursuant to the exercise of the Over-allotment Option), (iii) the Class B Shares to be issued pursuant to the Share Schemes, and (iv) the Class B Shares that are issuable upon conversion of the Class A Shares on a one to one basis.

We applied on the basis that, among other things, we satisfy the market capitalisation/revenue test under Rule 8A.06(2) of the Listing Rules with reference to: (i) our revenue for the year ended December 31, 2019, being approximately RMB1,261.9 million, which is over HK\$1 billion; and (ii) our expected market capitalisation at the time of Listing, which, based on the low-end of the indicative Offer Price range, exceeds HK\$10 billion.

Dealings in the Class B Shares on the Stock Exchange are expected to commence on Wednesday, March 31, 2021. All the Offer Shares will be registered on the Hong Kong share register of our Company in order to enable them to be traded on the Stock Exchange.

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Class B Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Joint Global

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

Coordinators, the Joint Bookrunners, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Class B Shares or exercising any rights attached to them.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangement relating to the Over-allotment Option and stabilisation are set out in “Structure of the Global Offering”.

HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

The Company’s principal register of members will be maintained by its principal share registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands. All of the Class B Shares issued pursuant to the Global Offering will be registered on the Company’s Hong Kong branch share register to be maintained in Hong Kong by its Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong. Dealings in the Class B Shares registered in our Company’s Hong Kong share register will be subject to Hong Kong stamp duty. Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Class B Shares will be paid to the shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the shareholders’ risk, to the registered address of each shareholder.

CLASS B SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Class B Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Class B Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Class B Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the Class B Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in “How to Apply for Hong Kong Offer Shares”.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering”.

EXCHANGE RATE CONVERSION

Solely for convenience, this document contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, the conversions between (i) Renminbi and Hong Kong dollars were made at the rate of RMB0.8358 to HK\$1.00, (ii) U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.7582 to US\$1.00, and (iii) U.S. dollars and Renminbi were made at the rate of RMB6.4845 to US\$1.00.

LANGUAGE

If there is any inconsistency between the English version of this document and the Chinese translation of this document, the English version of this document shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this document and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Certain amounts and percentage figures included in this document have been subject to rounding adjustments, or have been rounded to a set number of decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Zhang Shaofeng (張韶峰)	Unit 102, Building 6, No. 6, Jianxiyuan Nanli Haidian District, Beijing, China	Chinese
Mr. Zhao Hongqiang (趙宏強)	11-2-1602 Donghuwan West District No. 8 Lize West Road, Chaoyang District, Beijing, China	American
Ms. Zhao Jing (趙靜)	No. 1107, Building 1, No. 2, 15 District, Heping Road Chaoyang District, Beijing, China	Chinese
Non-executive Directors		
Mr. Bai Linsen (柏林森)	Room 501, Building 85, No. 18 Wenchang Middle Road Guangling District, Yangzhou City Jiangsu Province, China	Chinese
Mr. Ren Xuefeng (任雪峰)	Unit 909, Building 1, No. 76 Sanhuan West Road Haidian District, Beijing, China	Chinese
Mr. Li Qiang (李強)	No. 802, Door 8, Building 3, Shuiduizi Beili Chaoyang District, Beijing, China	Chinese
Independent non-executive Directors		
Professor Chen Zhiwu (陳志武)	13B, Block 1, Tam Towers, 25 Sha Wan Drive Pokfulam, Hong Kong	American
Mr. Zhou Hao (周浩)	Room 1101, No. 57, 855 Yangsi Road Pudong New District, Shanghai, China	Chinese
Professor Guo Yike (郭毅可)	No.17, Sunderland Estate, No.1 Hereford Road Kowloon Tong, Hong Kong	British

See “Directors and senior management” for further details.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

Morgan Stanley Asia Limited

46/F, International Commerce Centre
1 Austin Road West, Kowloon, Hong Kong

China International Capital Corporation Hong Kong Securities Limited

29/F One International Finance Centre
1 Harbour View Street, Central, Hong Kong

CMBC International Capital Limited

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Global Coordinators	Morgan Stanley Asia Limited 46/F, International Commerce Centre 1 Austin Road West, Kowloon, Hong Kong China International Capital Corporation Hong Kong Securities Limited 29/F One International Finance Centre 1 Harbour View Street, Central, Hong Kong CMBC Securities Company Limited 45/F One Exchange Square 8 Connaught Place, Central, Hong Kong
Joint Bookrunners and Joint Lead Managers	Morgan Stanley Asia Limited <i>(in relation to the Hong Kong Offering only)</i> 46/F, International Commerce Centre 1 Austin Road West, Kowloon, Hong Kong Morgan Stanley & Co. International plc <i>(in relation to the International Offering only)</i> 25 Cabot Square, Canary Wharf London E14 4QA, United Kingdom China International Capital Corporation Hong Kong Securities Limited 29/F One International Finance Centre 1 Harbour View Street, Central, Hong Kong CMBC Securities Company Limited 45/F One Exchange Square 8 Connaught Place, Central, Hong Kong
Joint Bookrunners	ICBC International Capital Limited 37/F ICBC Tower 3 Garden Road, Hong Kong Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central, Hong Kong CMB INTERNATIONAL CAPITAL LIMITED 45/F Champion Tower 3 Garden Road, Central, Hong Kong Daiwa Capital Markets Hong Kong Limited Level 28, One Pacific Place 88 Queensway, Hong Kong Futu Securities International (Hong Kong) Limited Unit C1-2, 13/F, United Centre No. 95 Queensway, Admiralty, Hong Kong
Joint Lead Manager	SBI China Capital Financial Services Limited 4/F, Henley Building No. 5 Queen's Road Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to our Company	<i>As to Hong Kong and U.S. laws</i> Skadden, Arps, Slate, Meagher & Flom and affiliates 42/F, Edinburgh Tower, The Landmark 15 Queen's Road Central, Central, Hong Kong <i>As to PRC law</i> Commerce & Finance Law Offices 6/F NCI Tower, A12 Jianguomenwai Avenue Chaoyang District, Beijing, PRC <i>As to Cayman Islands law</i> Maples and Calder (Hong Kong) LLP 26 th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Legal advisers to the Joint Sponsors and the Underwriters	<i>As to Hong Kong and U.S. laws</i> Davis Polk & Wardwell 18/F, The Hong Kong Club Building 3A Chater Road, Central, Hong Kong <i>As to PRC law</i> Tian Yuan Law Firm 10/F, Tower B, China Pacific Insurance Plaza 28 Fengsheng Hutong, Xicheng District, Beijing, China
Reporting accountants and independent auditor	KPMG <i>Certified Public Accountants</i> 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
Industry consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., Suite 2504, Wheelock Square 1717 Nanjing West Road, Shanghai, China
Receiving bank	Bank of China (Hong Kong) Limited 1 Garden Road, Hong Kong

CORPORATE INFORMATION

Headquarters	1-3/F, Tower A, No.10 Furong Street Chaoyang District, Beijing, China
Principal place of business in Hong Kong	31/F, Tower Two, Times Square, 1 Matheson Street Causeway Bay, Hong Kong
Registered office in the Cayman Islands	PO Box 309, Uglan House Grand Cayman KY1-1104, Cayman Islands
Company website	www.brgroup.com <i>(the information contained on this website does not form part of this document)</i>
Joint company secretaries	Mr. Chen Chunyang 1-3/F, Tower A, No.10 Furong Street Chaoyang District, Beijing, China Ms. Leung Shui Bing (ACS /ACG) 31/F, Tower Two, Times Square, 1 Matheson Street Causeway Bay, Hong Kong
Authorised representatives	Mr. Zhao Hongqiang 1-3/F, Tower A, No.10 Furong Street Chaoyang District, Beijing, China Ms. Leung Shui Bing 31/F, Tower Two, Times Square, 1 Matheson Street Causeway Bay, Hong Kong
Audit committee	Mr. Zhou Hao (<i>Chairperson</i>) Mr. Bai Linsen Professor Chen Zhiwu
Remuneration committee	Professor Chen Zhiwu (<i>Chairperson</i>) Mr. Zhou Hao Mr. Bai Linsen
Nomination committee	Mr. Zhou Hao (<i>Chairperson</i>) Mr. Zhang Shaofeng Professor Guo Yike
Corporate governance committee	Professor Chen Zhiwu (<i>Chairperson</i>) Mr. Zhou Hao Professor Guo Yike
Principal share registrar and transfer office	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall, Cricket Square Grand Cayman KY1-1102, Cayman Islands

CORPORATE INFORMATION

**Hong Kong Share
Registrar**

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

Compliance adviser

CMBC International Capital Limited
45/F One Exchange Square
8 Connaught Place, Central, Hong Kong

Principal banks

China Merchants Bank (Beijing Yuquan Road sub-branch)
Unit A001, 1st Floor, No. 38 Jade Apartments
Fuxing Road, Haidian District, Beijing, China

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. In addition, we engaged Frost & Sullivan for preparing the Frost & Sullivan Report, an independent industry report in respect of the Global Offering. We believe that the sources of the information in this section and other sections of this document are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official and non-official sources has not been independently verified by us, the Joint Global Coordinators, Joint Sponsors, Joint Bookrunners, Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering except Frost & Sullivan, and no representation is given as to its accuracy. Accordingly, the information from official and non-official sources contained herein may not be accurate and should not be unduly relied upon. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Frost & Sullivan Report that would qualify, contradict or have a material impact on the information in this Section.

China's financial services industry has undergone significant changes, driven by the emergence of new technologies, proliferation of data, and acceleration of digital transformation. The fast adoption of technology paves the way for unprecedented opportunities for data analytics to transform China's financial services industry. Traditional financial institutions often find it difficult to incorporate the latest technologies and data analytics as they lack the expertise. Financial institutions are looking for data analytics solution providers to help them reduce costs, improve operating efficiency and enhance user experience.

Overview of Financial Services Industry in China

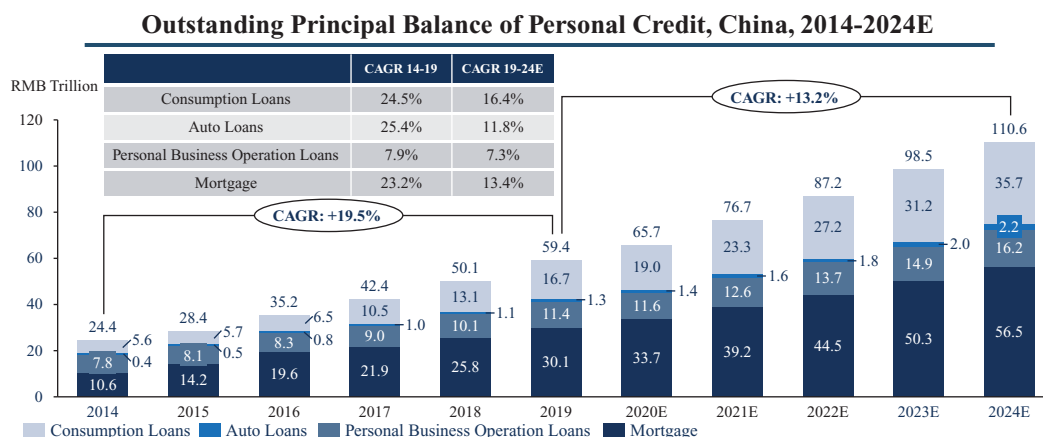
China was the only major economy in the world that experienced a positive economic growth in 2020, with its nominal GDP reaching RMB101.6 trillion and real GDP YOY growth rate reaching 2.3%. In 2021, as China's economy continues to rebound, its real GDP YOY growth rate is expected to increase to 8.1%. As of 2019, China had the world's second-largest financial services market by total assets. The amount of total assets of financial institutions is growing dramatically, increasing from RMB177.3 trillion in 2014 to RMB318.7 trillion in 2019 with a CAGR of 12.4% and it is expected to reach RMB 546.9 trillion in 2024. The tremendous growth of China's financial services industry has also been accompanied by an increase in its number of financial institutions, growing from approximately 6,400 in 2014 to approximately 7,900 in 2019.

Driven by the solid growth of macro economy and related favourable policies, the consumption demand in China keeps increasing. Personal credit in China experienced rapid growth in the past few years. Total outstanding principal balance of personal credit increased from RMB24.4 trillion in 2014 to RMB59.4 trillion in 2019, representing a CAGR of 19.5%. Driven by the increasing consumption demands, total outstanding principal balance of personal credit is expected to reach approximately RMB110.6 trillion by 2024 with a CAGR of 13.2% from 2019 to 2024. Impacted by COVID-19, the growth of outstanding principal balance of personal credit slowed down in the first half of 2020, and reached RMB61.2 trillion by mid-2020 with a 3.0% increase compared with the end of 2019. However, as domestic consumption gradually recovers in the second half year of 2020 and in 2021, the outstanding principal balance of personal credit is expected to reach RMB76.7 trillion by 2021 with a growth of 16.7% from 2020. In the consumer finance business, credit cards issued by banks and consumption credit from licenced consumer

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finance companies are the main products. Driven by the increasing demand of consumer financing, the principal balance of consumption loans has grown substantially with a CAGR of 24.5% from 2014 to 2019, and is expected to grow with a CAGR of 16.4% from 2019 to 2024.

Driven by increasing demand and adoption of technology, China's online personal credit market increased from RMB1.4 trillion in 2014 to RMB6.3 trillion in 2019, and is estimated to reach RMB17.9 trillion in 2024 at a CAGR of 23.0%.

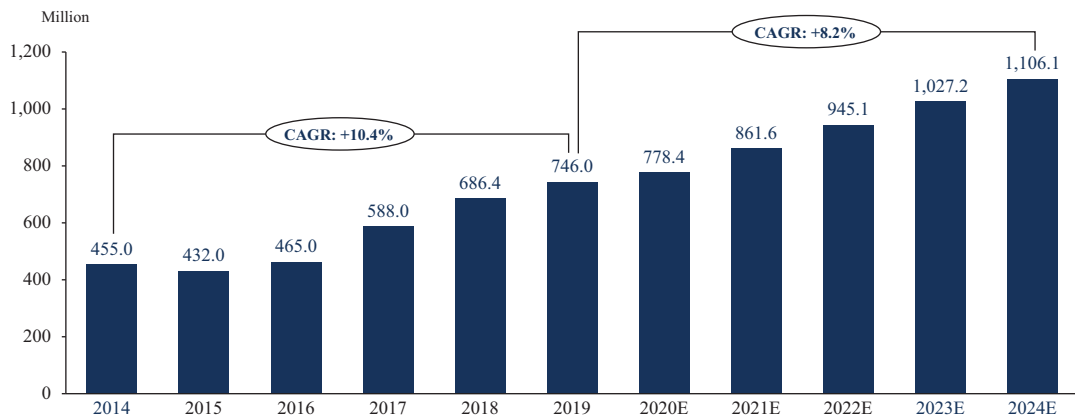


Source: PBOC, Frost & Sullivan

China's credit card market has been growing rapidly over the past few years attributed to the increasing consumer financing needs. In terms of the accumulative number of credit cards issued, it increased from approximately 455.0 million in 2014 to approximately 746.0 million in 2019. The further penetration of credit card is foreseeable since Chinese residents' income level has increased substantially. By 2024, the number of credit cards issued is estimated to reach approximately 1,106.1 million. During the first half of 2020, overall credit card market had been negatively affected by COVID-19. The number of newly issued credit cards for the six months ended June 30, 2020 is approximately 10.0 million with a 60% drop compared to approximately 25.0 million for the six months ended June 30, 2019. However, credit card market is expected to rebound as China economy continued to gain momentum after the pandemic is largely under control. For the six months ended December 31, 2020, the number of newly issued credit cards is expected to reach 22.4 million, 124% increase compared to the six months ended June 30, 2020. Although the number of newly issued credit cards is expected to experience a general decrease in 2020, as the consumption demands gradually recover, the number is expected to reach 83.2 million in 2021, representing a 157% increase compared to the number in 2020 and 38% increase compared to the number in 2019.

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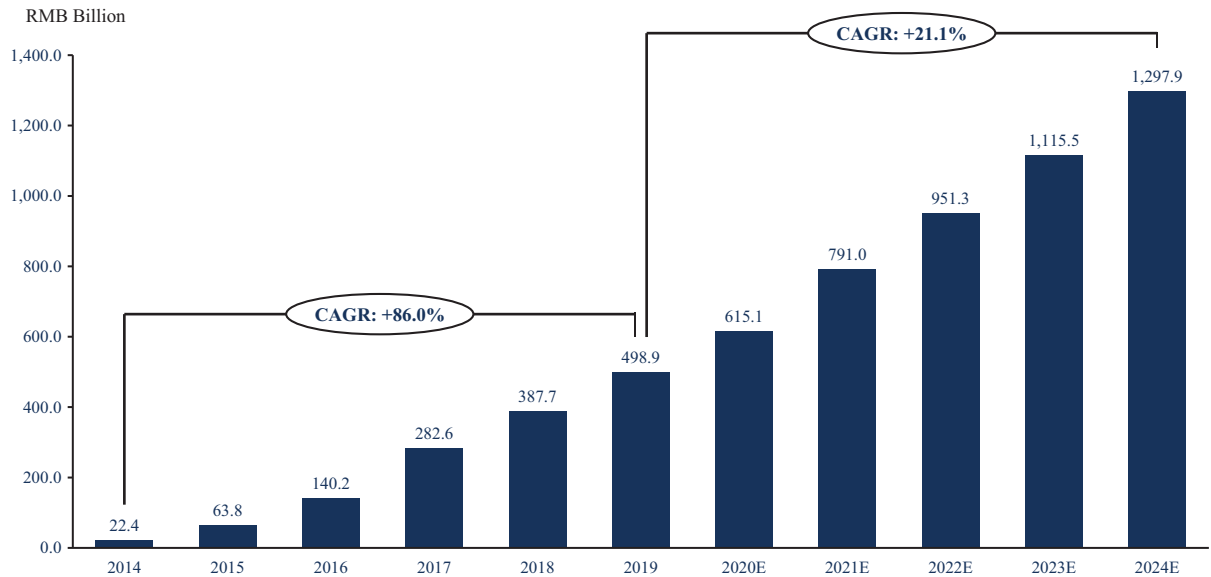
Accumulative Number of Credit Cards Issued, China, 2014-2024E



Source: PBOC, Frost & Sullivan

The asset value of licenced consumer finance companies in China has been growing rapidly over the past few years attributed to the increasing consumer financing needs. It increased from RMB 22.4 billion in 2014 to RMB 498.9 billion in 2019 with a CAGR of 12.4%, and is expected to reach approximately RMB 1,297.9 billion by 2024 with a CAGR of 11.4% between 2019 and 2024.

Total Asset Value of Licenced Consumer Finance Company, China, 2014-2024E

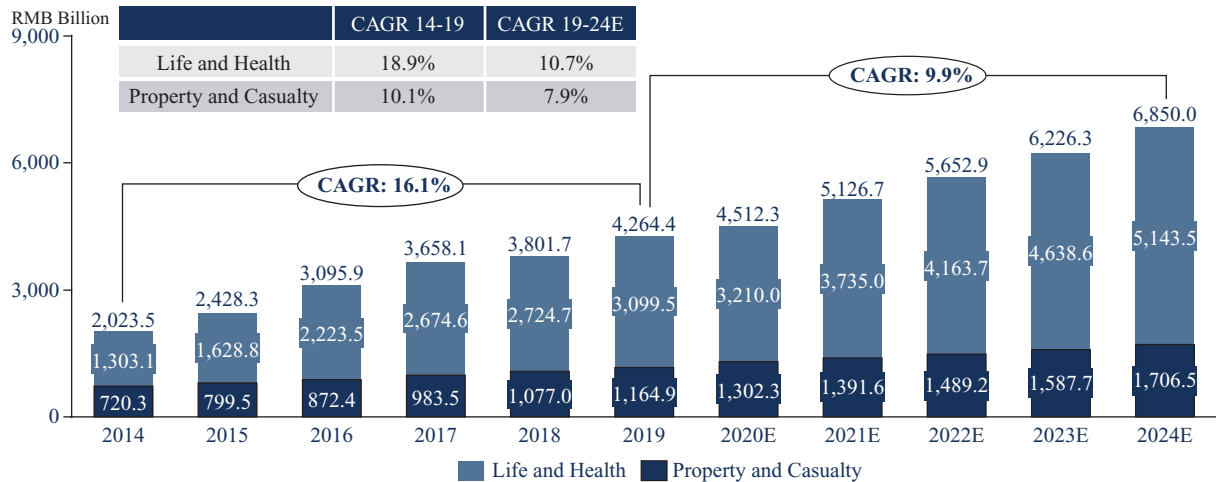


The total insurance premium of insurance market experienced rapid growth during the past five years with the CAGR reaching 16.1%. The segment of life and health insurance was growing faster than property and casualty insurance. From 2019 to 2024, it is estimated that the insurance market in China will keep growing at a CAGR of 9.9%. Both types of insurance are expected to maintain solid growth rates during the period from 2019 to 2024. Due to the increasing demands, insurance penetration and insurance density experienced a steady increase in China in recent years. In terms of insurance penetration, it increased from approximately 3.13% in 2014 to 4.36% in 2019 in China. Insurance density increased from RMB1,451 per capita in 2014 to RMB2,972 per capita in 2019 with a CAGR of 15.4% during the period. Consumers tend to purchase insurance from independent insurance brokerage platform due to its comprehensiveness and objectivity on service, resulting in the increasing demand

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from consumers for independent services. The penetration of independent insurance brokerage platform increased from 1.2% in 2014 to 3.4% in 2019, and is expected to maintain growth in the forecast period to reach 9.3% in 2024. The CAGR of insurance premium through independent insurance brokerage platforms was 42.7% from 2014 and 2019, and the insurance premium is expected to grow with a CAGR of 34.6% from 2019 and 2024.

Total Insurance Premium of Insurance Market, China, 2014-2024E



The market size of precision marketing services for the financial industry in China increased from RMB 19.1 billion to RMB 76.9 billion in 2019, and is expected to reach RMB 161.7 billion in 2024 with a CAGR of 16.0% from 2019 to 2024. Both independent and non-independent big data analytics service providers are active in the market. Independent players such as the Company, Zhuiyi Technology, and Cloudwalk provide precision marketing services for banks, insurers and other FSPs. Meanwhile, non-independent players such as Ant Financial and OneConnect provide precision marketing services for their own businesses and external customers. The market for precision marketing services in the financial industry is relatively diverse, with different companies possessing different expertise and focusing on various segments. Due to the increasing demand for independent services, the market share of independent players is expected to further increase in the forecast period. In addition, higher cost of online customer acquisition brings an entry barrier for new entrants, and leading companies are gaining advantages over small-medium scale players with expected increasing market concentration.

The market size of insurance distribution services in China increased from RMB 182.7 billion to RMB 648.7 billion in 2019, and is expected to reach RMB 1,017.8 billion in 2024 with a CAGR of 9.4% from 2019 to 2024. Insurance distribution services consist of online and offline channels, with online channels developing rapidly in recent years. Some internet insurance platforms such as Tencent WeSure, Ant Financial, Huize Insurance and JD Financial are focusing on online distribution channels. The majority of insurance agents and insurance brokerage companies, such as the Company, Changan Insurance Brokers Company and Suncar Insurance, operate both online and offline channels. Driven by increasing customer demand and the development of enterprise digitalization, the integration of online and offline channels has become a trend for the insurance distribution services market in China.

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Challenges in China's Financial Services Industry and Technology Solutions

With the continuous efforts of broadening financial services in China, financial institutions are facing increasing challenges in efficiency improvement, risk control and business growth. Technology brings innovative and powerful solutions for those challenges with the application of big data technology, AI, block chain technology, etc., significantly increasing the overall efficiency of the industry. With the sustaining inflow of funds and innovations, technology will continue to empower the financial services industry in China.

Pain Points

Low efficiency of reaching and acquiring massive number of individual clients and SMEs

Limited capability of providing customised services for different clients

Strong demand for independent and high level risk control and anti-fraud

High cost of providing customer services

Technology Solutions

- Expanding and efficient marketing channels powered by mobile internet
 - Complete profiles of clients with up-to-date and multi-dimensional data
-
- Precision marketing strategies targeting different clients
 - Personalised and customised services and pricing based on the specific demands and backgrounds of clients with the support of precise profiling and multi-dimensional data
-
- Real-time and complete analysis of transactions based on various types of data, such as location, biometric authentication and scenario
 - Establishment of credit record and blacklist based on both proprietary data and third-party data
-
- Efficient communication with customers backed by automated programmes to improve the efficiency of customer services and reduce labour cost of customer service personnel

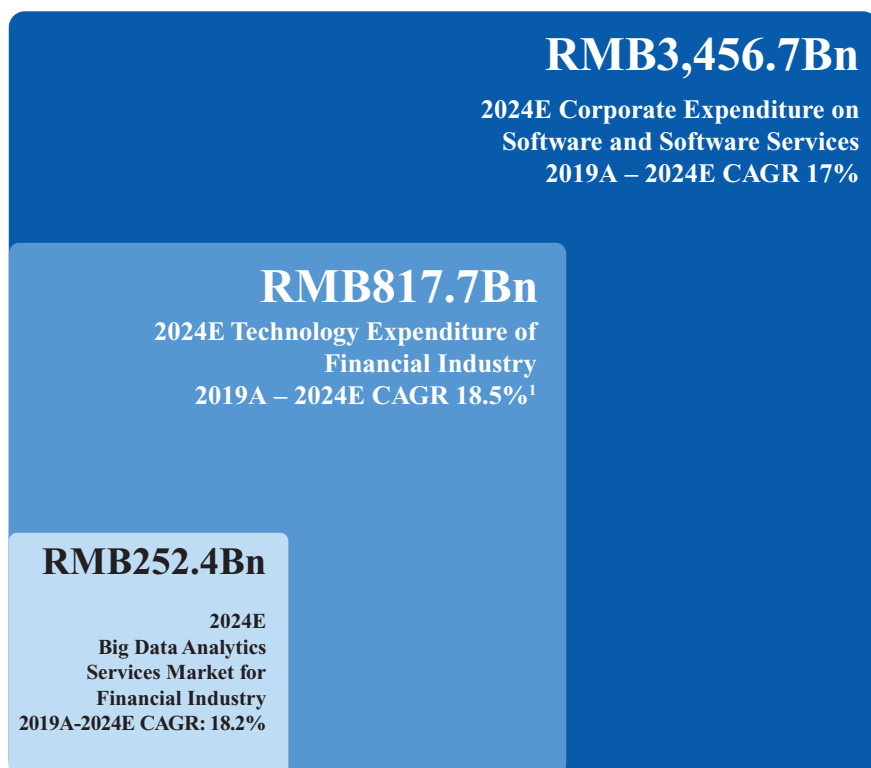
Overview of Software and Software Services in China

With the rapid growth of China's economy and the development of modern technology in the past decade, the trend of digital transformation and automation is spreading into almost all industries in China. Enterprises across all sectors have been increasing their spending on software and software services. According to Frost & Sullivan, corporate software and software services expenditure increased from RMB0.7 trillion in 2014 to RMB1.6 trillion in 2019, representing a CAGR of 19.3%. Driven by the rapid development of IT cloud service, corporate expenditure on software and software services is estimated to reach RMB3.5 trillion in 2024, with a CAGR of 17.0% from 2019 to 2024. Compared with developed markets such as the US, the proportion of software and software service expenditure over enterprises total revenue is relatively low with great potential for further growth.

The rapid growth in software and software services expenditure is especially evident in the financial industry, mainly driven by (i) the significant increase of total assets of financial institutions in China and the fast-growing volume and complexity of data throughout business lifecycle, (ii) the increasingly intensive competition from both traditional players and non-traditional technology-driven players, and (iii) the customers' expectation for a convenient and customised experience in the digital era. FSPs in China are increasing their spending on software and software services to enhance product innovation, improve the customer relationships, and sustain their competitiveness during technological transition.

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As one of the most important sectors in China's economy, the financial services industry has been acting as the pioneer of technology investment and product innovation as FSPs endeavour to improve operational efficiency and offer better customer experience. According to Frost & Sullivan, total technology expenditure of financial services industry in China increased from RMB118.6 billion in 2014 to RMB349.4 billion in 2019, with a CAGR of 24.1%. The growth momentum is expected to continue and such expenditure is expected to reach RMB817.7 billion in 2024, representing a CAGR of 18.5%.



Source: Frost & Sullivan

¹ The technology expenditure of financial industry includes the expenditure on hardware, which is exclusive in corporate expenditure on software and software services.

Overview of Big Data Analytics Service Market in China

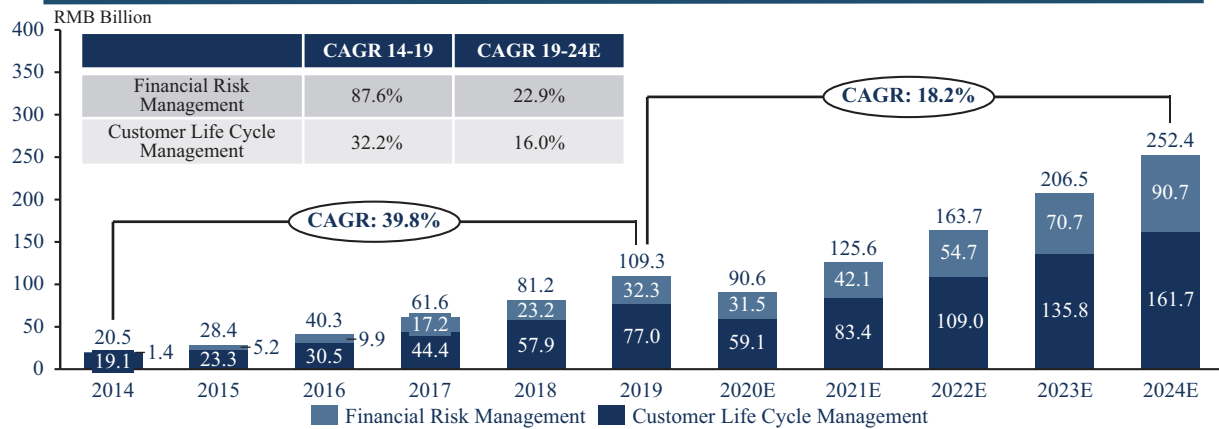
The strong demand for and growth potential of technology services for FSPs have attracted new players to the market. These players rapidly scaled up by leveraging their large consumer base or strong technology capabilities, such as big data, AI and cloud computing. Meanwhile, driven by the fast growth of financial services industry, big data analytics technology is quickly adopted by financial industry in China, as big data analytics technology could facilitate credit rating and effectively realise precision marketing and more efficient customer management. Big data analytics technology is now being widely adopted in financial risk management and customer life cycle management scenarios for FSPs.

In 2019, the total revenue of big data analytics services market for financial services industry in China was RMB109.3 billion, and a total amount of RMB32.3 billion was spent on financial risk management and RMB77.0 billion for customer life cycle management, which includes both new customer acquisition and existing customer management. It is expected that big data analytics services market will continue to experience a rapid growth from 2019 to 2024, reaching RMB252.4 billion in 2024 with a CAGR of 18.2%. Affected by the COVID-19 pandemic, the business development of

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financial institutions slowed down in the first half of 2020, resulting in a decline in the demand for big data analytics service on the overall level.

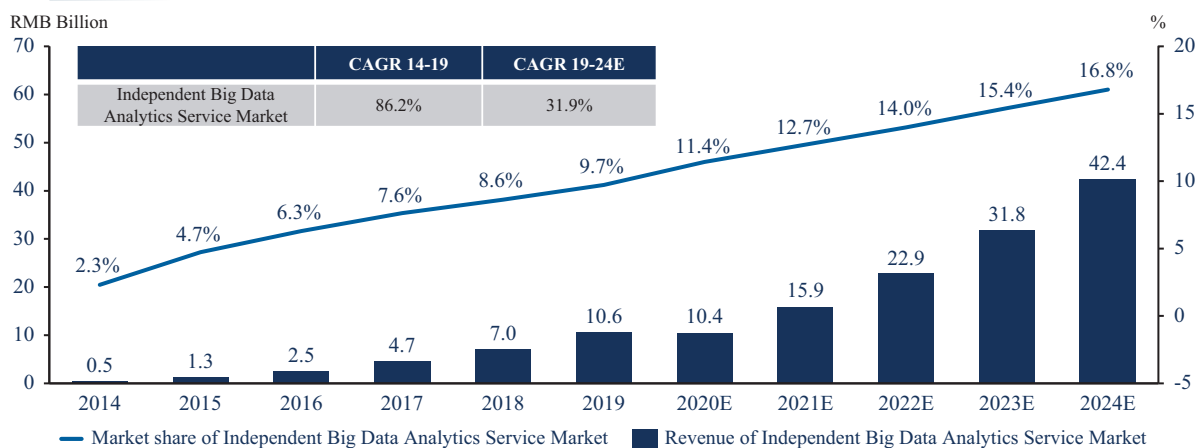
Total Revenue of Big Data Analytics Services Market for Financial Industry, China, 2014-2024E



Source: Frost & Sullivan

Accuracy, objectivity, and neutrality of big data analysis results are what customers focus on while seeking big data analytics services. Independent service providers can identify customer needs more accurately, avoid conflict of interest, maintain objectivity and neutrality, and better serve clients. From 2014 to 2019, the market share of independent big data analytics services providers over total big data analytics services providers for financial services industry has grown from 2.3% to 9.7%, and is expected to further increase to 16.8% by 2024.

Total Revenue of Independent Big Data Analytics Services Market for Financial Services Industry China, 2014-2024E



Source: Frost & Sullivan

Key Trends and Market Drivers

- Favourable policies for adopting big data analytics technology in the financial services industry. The Chinese government has taken a leadership role in promoting Fintech including big data analytics technology by issuing a series of favourable policies. The Development Planning of Fintech (2019-2021) announced by the PBOC encourages participants in financial industry to adopt big data analytics technology to improve financial services. The Implementation of Enterprise Cloud (2018-2020) announced by the MIIT encourages further development of cloud

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computing and enterprise digitalization. The governmental support on big data analytics technology paves the road for the further development of the technology and the market.

- Regulation requirement for FSPs to conduct independent risk management. Chinese regulation authorities released new regulation requirement on Internet loans management of commercial banks in July 2020, namely 《商業銀行互聯網貸款管理暫行辦法》, which requires commercial banks to have independent operation of core risk management procedure. The new regulation has brought challenges for small and medium scale banks that typically do not possess strong risk management capabilities, and therefore would increase their investments in external fintech especially big data analytics services in order to improve their risk management capabilities to meet the regulation requirements.
- Technology advancement and increasingly digitised lifestyle. Technology advancement in AI, cloud computing, and other technologies in recent years have been utilised by big data analytics services providers, in order to meet different customised needs of FSPs and other clients. Such a trend is promoting the enhancement of technical capabilities of market players and driving the growth of the market. The high penetration rate of mobile internet and smart wireless digital devices in China has created fast-growing markets for e-commerce, e-payment and online lending, and generated a massive amount of user data, which will continuously contribute to the improvement of big data analytics technology for the financial services sector.
- Rising preference for independent financial big data analytics solutions. Traditionally, FSPs in China spend plenty of time and resources by themselves on financial risk management and customer life cycle management in the course of their operation. However, as FSPs have put increasing emphasis on the objectivity and neutrality of financial big data analytics in recent years, many of them have turned to purchase services from independent financial big data analytics solution providers, which can also save their costs and let them re-focus on managing end-customer relationships.
- Increased market concentration. China has witnessed increasing and stricter regulation on the big data analytics industry. Typically the leading and large players in the industry have better established internal regulation and compliance procedures and are more likely to comply with new regulation requirements. Therefore, the tightening industry regulation in the long-term is relatively beneficial for the leading players and the market concentration is expected to increase. At the same time, due to the impact of COVID-19, players in the markets are affected negatively in 2020, while top players can gain relative advantage as a result of better capability of holding general market downside impact with larger scale. As the possession of technology and data assets gradually becomes an entry barrier, FSPs prefer to cooperate with leading companies who have advantages in technology and data insights. It will further widen the gap between leading companies and smaller industry participants and increase the market concentration.

Competitive Landscape of Financial Big Data Analytics Services Market in China

There are three types of competitors in financial big data analytics services market in China:

1. Independent financial big data analytics solution providers: not affiliated to any FSPs, and provide independent and unbiased services to various institutional clients in the market instead of providing services and support for internal divisions of the group company;
2. Non-independent financial big data analytics solution providers: affiliated to larger group companies, and provide services to internal divisions of the group company, or both internal divisions and external institutional clients; and

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3. Credit bureaus: credit bureaus, namely Credit Reference Center of PBOC and Baihang Credit, have official channels to collect personal credit information and provide unbiased services to qualified institutions.

The relationship between credit bureaus and independent financial big data analytics solution providers in Chinese market is more complementary rather than competitive due to different types of data they possess and provide. There exists competition between independent financial big data analytics solution providers and non-independent financial big data analytics solution providers. The market share of independent big data analytics solution providers in the overall financial big data analytics services market is expected to increase in the forecast period due to the increasing focus of customers on the accuracy, objectivity, and neutrality of big data analysis results.

According to Frost & Sullivan, the ranking for independent financial big data analytics solution providers are set in below table. In terms of associated revenue in 2019, the Company is the largest independent financial big data analytics solution provider in China (after taking into account revenue from precision marketing services). The Company held a market share of approximately 8.7% in the independent financial big data analytics services market of China, increasing by 1.6% from 2017 to 2019. Its associated revenue grew with a CAGR of 67.0%, while the market size grew with a CAGR of 51.0% during the same period. In 2020, the Company's market share reached approximately 9.0%, which is 0.3% higher compared with its market share in 2019.

Ranking of Independent Financial Big Data Analytics Solution Providers (by 2019 revenue)

2019 Rank	Company Name	2019 Revenue (RMB MM)	2019 Market Share
1	<i>The Company (百融雲創)</i>	927	8.7%
2	Company A	816	7.7%
3	Company B	425	4.0%
4	Company C	417	3.9%
5	Company D	375	3.5%

According to Frost & Sullivan, the entry barriers for financial big data analytics services market in China are:

- Technology barrier. Financial big data analytics services involve AI-powered algorithms, automatic real-time analytics, stream computing, and a number of other techniques. Only with a high level of mastery of these techniques and deep data insights can a services provider meet all kinds of customised needs of clients. Furthermore, with the rapid development of techniques and the wider application of big data analytics services in the financial industry, services providers have to keep enhancing their technical capabilities and keep improving their products, in order to keep up with the pace of the market, which would be a barrier for new market entrants. At the same time, developing such cutting-edge technology would require significant investments and funding, and thus can be a barrier for new start-ups to enter the market.
- Regulation barrier. Financial services industry is one of most strictly regulated sectors. In order to strengthen the supervision of China's financial big data analytics services market, multiple policies and regulations have been published by the Government in the past few years. For instance, the Regulation on Financial Information Service Management published in 2018 specifies that financial information services providers should accurately indicate the sources of information in prominent positions, and ensure that the sources of financial information in the forms of text, image, video and audio can be traced. For new entrants of the market, it would be

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difficult and costly to build relevant internal control manuals, policies as well as operational process and system to meet and comply with all related regulations in a short period.

- Brand barrier. Financial big data analytics tools are used for the storage and processing of a large amount of user data. Therefore, information security is one of the greatest concerns of the industry, and the reliability of products is one of the primary concerns of clients when selecting services providers. Thus, high-profile and reputable services providers are more likely to win the favour of customers. For new entrants of the market, it requires not only techniques but also time to establish a good reputation in the industry, which would be a barrier for new market entrants.

Source of Information

In connection with the Global Offering, we have engaged Frost & Sullivan to conduct a detailed analysis and prepare an industry report on the markets in which we operate. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We have agreed to a total of RMB470,000 in fees and expenses for the preparation and use of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful Listing or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the Global Offering.

We have included certain information from the Frost & Sullivan Report in this document because we believe such information facilitates an understanding of the markets in which we operate for potential investors. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organisations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesise information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analysed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

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We are a leading independent AI-powered technology platform in China serving the financial services industry. Our cloud-native platform provides products and services that are embedded into the business processes of FSPs, from customer acquisition, loan origination or insurance underwriting, existing portfolio management, to non-performing loan management. Our data analytics products and our cloud-native solutions enable our FSP clients to increase efficiency of marketing spending and make more intelligent credit decisions.

Our history began in 2014 with the establishment of Onshore Holdco, through which we provided our data analytics services. We have been led by our founder, Mr. Zhang, who has over 16 years of experience in operations and management of the data analytics business and internet technology companies in China. We received multiple series of equity financing to support our expanding business operations from 2014 to 2018. We commenced marketing and distribution services in 2017, and acquired Liming in late 2017 to strengthen our platform and further expand our service offerings.

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

<u>Year</u>	<u>Event</u>
2014	Commenced data analytics services business Received investment from IDG Series A financing and investment led by Hillhouse
2015	Awarded ‘Best Growth Potential’ at 2015 China Finance Summit Series A+ and B financings and investment involving, among others, China Renaissance, Hillhouse and Sequoia
2016	Received the National Information System Security Level Protection Level 3 Certification Certified as a High and New Technology Enterprise Series B+ financing and investment led by CICC
2017	Commenced precision marketing services and insurance distribution services businesses
2018	Established AI laboratory Jointly established ‘Research Center for Big Data in Finance’ with the Tsinghua University PBC School of Finance Awarded ‘Top 50 Chinese High-tech and High-growth Companies’ by Deloitte Series C financing and investment led by China Reform Fund
2019	Launched AI-enabled smart servicing voice-bot Signed a strategic cooperation agreement with the National Information Center Recognised for a fourth consecutive time as one of China’s 50 leading fintech enterprises by KPMG
2020	Launched AutoML, an intelligent machine learning model training platform Commenced post-lending monitoring services for existing users at scale

HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

CORPORATE DEVELOPMENT OF OUR GROUP

Our major subsidiaries and operating entities

The principal business activities, date of incorporation and date of commencement of business of each member of our Group that made a material contribution to our results of operations during the Track Record Period, are shown below:

Company	Principal business activities	Equity interest held by the Group	Date of incorporation and commencement of business
Onshore Holdco (<i>PRC</i>)	Financial technology development and service provider	100%	March 19, 2014
Liming (<i>PRC</i>)	Insurance brokerage and other business approved by the CBIRC	63%	April 21, 2014

Commencement of our business and onshore equity financing

We commenced operations with the establishment of Onshore Holdco in March 2014, funded by the personal wealth of our founding shareholders, initially providing data analytics services and branching out into precision marketing services in 2017. Our business was held through Onshore Holdco and conducted by it and its subsidiaries. Guangzhou Shurong Internet Micro-lending Co., Ltd. was established under the laws of China in February 2017. In addition to its other businesses, this subsidiary held an online micro-lending licence and was used to conduct a few trial-based micro-lending transactions primarily to owners of SMEs, which business has not been, and will not be, further developed or expanded.

From October 2014 to April 2018, Onshore Holdco conducted multiple rounds of onshore financings, pursuant to which the onshore affiliates of the Pre-IPO Investors invested in our business. See “—Pre-IPO Investment” for details. The capital structure of Onshore Holdco following such onshore financings and additional transfers among shareholders (which are private transactions and did not involve any additional capital investment in Onshore Holdco) and immediately prior to our Reorganisation (being June 27, 2019) is set out in the table below. In addition, in its April 2018 series C+ financing, Onshore Holdco issued an approximately RMB100 million convertible bond to Shanghai Chaoqu Information Technology Co., Ltd., which was duly converted into Series C+ Preferred Shares upon the Reorganisation in accordance with its terms.

<u>Shareholder</u>	<u>Shares</u>	<u>%</u>
Mr. Zhang	10,680,034	12.90%
Mr. Su Meng	4,856,799	5.86%
Xinyu Bulu Weier Internet Investment Partnership (L.P.)	1,323,090	1.60%
Tianjin Bairong Tongchuang Enterprise Management Consulting Center (L.P.)	12,963,556	15.65%
Mr. Bai Linsen	1,181,549	1.43%
Shanghai Dezhen Enterprise Management Center (L.P.)	2,492,788	3.01%
Guangzhou Zhangsu Investment Consulting Co., Ltd.	4,208,418	5.08%
Beijing Hongshan Xinyuan Equity Investment Center (L.P.)	6,187,509	7.47%
Ningbo Gaocheng Honghai Investment Partnership (L.P.)	3,783,472	4.57%
Zhuhai Gaoling Tiancheng Equity Investment Fund (L.P.)	8,098,674	9.78%
Zhuhai Gaoling Zhiyuan Asset Management Center (L.P.)	1,108,443	1.34%
Shanghai Huasheng Lingshi Venture Capital Partnership (L.P.)	1,604,965	1.94%
Tianjin Bailang Kunrong Enterprise Management Consulting Partnership (L.P.)	1,225,084	1.48%
Beijing Oriental Huagai Venture Capital Co., Ltd.	1,069,977	1.29%
Tianjin Lingli Haijun Enterprise Management Consulting Partnership (L.P.)	837,318	1.01%
Ningbo Shangqi Huijin Culture Investment Center (L.P.)	490,034	0.59%

HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

<u>Shareholder</u>	<u>Shares</u>	<u>%</u>
Shenzhen Zhongjin Qianhai Bole No.4 Fund Partnership (L.P.)	5,140,867	6.21%
Shanghai Heyu Investment Management Co., Ltd.	4,862,982	5.87%
Zhuhai Gaoling Xinyuan Asset Management Center (L.P.)	1,389,423	1.68%
Qingdao Guoxin Shenghua Equity Investment Management Partnership (L.P.)	9,309,405	11.24%
Total number of issued shares	82,814,387	100%

Our PRC Legal Adviser has confirmed that relevant approvals or filings have been obtained or made, as applicable, for the capital increases and equity transfers in China in respect of Onshore Holdco and all such capital increases and equity transfers have been properly completed in accordance with relevant PRC Laws.

Tianjin Bairong Tongchuang Enterprise Management Consulting Center (L.P.) was established as a vehicle to hold the ordinary shares of Beijing Bairong pursuant to the share-based compensation plan established by Beijing Bairong in 2015. GeniAI Tech Inc. was later incorporated, in connection with the Reorganisation, as a vehicle to hold the ordinary shares of the Company pursuant to such share-based compensation plan. The 2015 share compensation plan was cancelled concurrently upon the adoption of the 2019 ESOP, and each holder of grants under the former plan received the same number of options in us as that previously granted to such holder. See “Statutory and general information—Share Schemes—2019 ESOP” for details of the 2019 ESOP.

Acquisition of Liming

Liming began its business in April 2014, serving as a national insurance intermediary service enterprise. It was established as an independent, third-party insurance service platform, and has remained so throughout its organic growth. In order to supplement our data and algorithm matching model for insurance products and consumers and to enhance our marketing and distribution services, we acquired an initial 70.00% equity interest in Liming in late 2017.

Pursuant to a share purchase agreement dated September 5, 2017 entered into by and among Onshore Holdco, Liming and its then shareholders, Onshore Holdco acquired an aggregate 70.00% equity interest in Liming for a cash consideration of RMB45.5 million. The consideration was determined after arm’s length negotiations between the parties taking into account an assessment of its market value, comparable industry peers, and the acquisition of control, and such consideration was fully paid on November 23, 2017. Each of the sellers under the share purchase agreement was an Independent Third Party.

See Appendix I for the financial information of Liming from January 1, 2017 until November 30, 2017 and “Financial information—Financial information of Liming” for a discussion of the historical financial information of Liming.

In June 2018, Liming raised additional investment and increased its registered capital, following which the shareholders of Liming were Onshore Holdco, Asia Investment Huijin (Beijing) Assets Management Co., Ltd., Gongqingcheng Dabao Investment Partnership (LP) and Beijing Shengde Jiahui Investment Co., Ltd. as to 63.00%, 21.60%, 10.00% and 5.40%, respectively. Gongqingcheng Dabao Investment Partnership (LP) is an employee investment vehicle for the benefit of members of Liming’s management.

The above shareholding changes have been duly filed with the Insurance Intermediary Regulatory Information System of the CBIRC. Save as set out above, no approval, order, consent of, or filing with, any government authority was required on the part of our Group in connection with the execution, delivery and performance of the share purchase agreement.

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Disposals

In October 2018, Onshore Holdco disposed of its 100% interests in Bairong Zhuocheng Technology Co., Ltd.. This subsidiary had historically provided certain services that supported debt collection. We disposed of such interest as its financial performance failed to meet management expectations. We believe that during our investment, no regulatory or compliance issues were identified in respect of this subsidiary. In January 2020, we disposed of our purely financial minority investment of approximately 18% in a private company incorporated in the PRC principally engaged in non-performing loan management service. We disposed of such interest as the company had ceased operation in 2019, its corresponding fair value was nil as of December 31, 2019, and no dividends were received by us on such investment during the Track Record Period.

REORGANISATION

The principal steps of the Reorganisation, carried out in preparation for the Listing and to streamline our corporate structure, are set out below.

Incorporation of our holding structure

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on June 21, 2018. Upon its incorporation, the authorised share capital of our Company was US\$50,000 divided into 500,000,000 shares with a par value of US\$0.0001 each. At the time of incorporation, our Company issued one share with a par value of US\$0.0001 to an Independent Third Party, which was transferred to Genisage Tech Inc. on the same day. Also on the same day, Genisage Tech Inc. additionally subscribed for 16,859,922 shares with a par value of US\$0.0001 each and LSBAI TECHNOLOGY INC. subscribed for 1,916,599 shares with a par value of US\$0.0001 each.

Bairong HK Limited was incorporated as a limited liability company under the laws of Hong Kong on July 18, 2018 with a share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Our Company was the sole founding member and remains the sole shareholder.

WFOE was established in China on August 14, 2018 as a wholly foreign-owned enterprise with a registered capital of RMB100 million, which was subscribed for by Bairong HK Limited.

Offshore shareholding changes

In contemplation of the Listing and to reflect the onshore investment in Onshore Holdco at the level of our Company, offshore affiliates of the then registered shareholders and investors of Onshore Holdco, among others, entered into a share purchase agreement on June 27, 2019. Pursuant to this share purchase agreement, among others, our Company allotted and shareholders and Pre-IPO Investors subscribed for ordinary shares with a par value of US\$0.0001 each and Pre-IPO Preferred Shares considering their interest in Onshore Holdco. The shares with a par value of US\$0.0001 each, the Series A Preferred Shares, Series B Preferred Shares, Series B+ Preferred Shares, Series C Preferred Shares and Series C+ Preferred Shares were fully paid and issued on August 23, 2019. See “—Capitalisation” for details of their shareholding.

For the purposes of the Reorganisation, the subscription amount was RMB1,067,789,839.80 settled by promissory note. Among such subscriptions, the consideration for each of Genisage Tech Inc., GeniAI Tech Ltd., LSBAI TECHNOLOGY INC., IDG-Accel China Growth Fund III L.P., IDG-Accel China III Investors L.P., HH BR-I Holdings Limited, HH BR-III Holdings Limited, Maggie & Tony Limited, Baywise Capital Limited Partnership, Sunkiss Capital International Holdings Limited, Qianhai Golden

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Bridge IV LP, Wu Capital Limited, and HH BR-II Holdings Limited was the par value of their respective subscribed shares, the consideration for each of Absolute Capital Limited, Max Elegant Limited, GCBR Holdings Limited, BLKR Holdings Limited, and Orient Hg Equity Investment Co., Ltd was based on their respective overseas direct investment approvals with respect to their offshore subscription of shares in our Company, and the consideration for each of Tianjin Huaxing Fengrong Technology Development Partnership (L.P.), CRF Summit Investment Limited, Waterdrop Investment Limited and Dynasty Star Ventures Ltd was based on the registered capital of, or investment in, Onshore Holdco then held by their respective onshore affiliates.

In light of the adoption of our 2019 ESOP, on August 26, 2019, we repurchased 9,963,556 shares with a par value of US\$0.0001 each from GeniAI Tech Ltd. for nil consideration, which were promptly cancelled. On September 23, 2020, Waterdrop Investment Limited surrendered 395,089 Series C Preferred Shares, which were immediately cancelled.

Contractual Arrangements

On June 27, 2019, WFOE entered into various agreements which constitute the Contractual Arrangements with Onshore Holdco and its registered shareholders, under which we are able to exercise effective control over Onshore Holdco and all economic benefits arising from the businesses of our Consolidated Affiliated Entities are transferred to WFOE to the extent permitted under PRC Laws by means of services fees payable by Onshore Holdco to WFOE. See “Contractual Arrangements” for details.

In order to facilitate the Reorganisation with respect to subscription of shares in our Company, certain onshore existing investors transferred, with the consent of WFOE, their equity interest in Onshore Holdco to Tianjin Saiji Technology Co., Ltd. (an entity controlled by the Group), the consideration for which settled such onshore existing investors’ respective offshore subscription amounts. Accordingly, Tianjin Saiji Technology Co., Ltd. signed letters of confirmation on September 16, 2020 agreeing to be bound by the terms and conditions of the Contractual Arrangements.

Reclassification, redesignation and Share Subdivision

On March 16, 2021, our shareholders resolved, among other things, that subject to the Global Offering becoming unconditional, (i) all the ordinary shares with a par value of US\$0.0001 each and the Pre-IPO Preferred Shares (save and except for 100,000,000 ordinary shares with a par value of US\$0.0001 each, whether issued or unissued, including all ordinary shares with a par value of US\$0.0001 each held by Genisage Tech Inc.) be re-classified and re-designated as class B ordinary shares with a par value of US\$0.0001 each on a one-for-one basis, (ii) 100,000,000 authorised but unissued ordinary shares with a par value of US\$0.0001 each, including all ordinary shares with a par value of US\$0.0001 each held by Genisage Tech Inc. be re-classified and re-designated as class A ordinary shares with a par value of US\$0.0001 each on a one-for-one basis, and (iii) each share in the then authorised share capital of the Company with a par value of US\$0.0001 each (whether issued or unissued) will be subdivided into five Shares of the corresponding class with a par value of US\$0.00002 each.

As a consequence of this, immediately prior to completion of the Global Offering, the authorised share capital of the Company will be US\$50,000 divided into 500,000,000 Class A Shares with a par value of US\$0.00002 each and 2,000,000,000 Class B Shares with a par value of US\$0.00002 each, and the issued share capital of the Company will be US\$7,429.33 divided into 84,299,615 Class A Shares with a par value of US\$0.00002 each and 287,167,215 Class B Shares with a par value of US\$0.00002 each.

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PRE-IPO INVESTMENTS

Principal terms of the Pre-IPO Investments

The below table summarises the principal terms of the Pre-IPO Investments:

Series	Date of investment	Approximate amount raised	Approximate valuation	Date on which investment was fully settled	Cost per share	Discount to the Offer Price ⁽¹⁾
Seed	October 27, 2014	RMB1 million	RMB2 million	October 27, 2014	RMB0.0102 ⁽²⁾	99.96%
A	November 26, 2014	RMB50 million	RMB470 million	December 8, 2014	RMB1.8044 ⁽²⁾	92.59%
A+	April 4, 2015	RMB10 million	RMB480 million	March 10, 2015	RMB1.8044 ⁽²⁾	92.59%
B	September 11, 2015	RMB150 million	RMB1,150 million	January 18, 2016	RMB3.7384 ⁽³⁾	84.66%
B+	June 3, 2016	RMB300 million	RMB3,000 million	June 12, 2016	RMB8.1627 ⁽³⁾	66.50%
C	December 29, 2017	RMB485 million	RMB4,500 million	September 14, 2018	RMB10.8836 ⁽³⁾	55.33%
C+	April 27, 2018	RMB100 million	RMB4,600 million	August 29, 2018	RMB10.8836 ⁽³⁾	55.33%

Notes:

- (1) Assuming the Offer Price is HK\$29.15, being the mid-point of the indicative Offer Price range.
- (2) These investments were made prior to the increase in the registered capital of Onshore Holdco in April 2015 as a result of capitalisation of profits. The cost per share has been adjusted to take into account the enlarged registered capital as well as the proposed Share Subdivision.
- (3) The cost per share has been adjusted to take into account the proposed Share Subdivision.

Basis of consideration The basis of determination for the consideration for the Pre-IPO Investments was arm's length negotiations between us and the Pre-IPO Investors after taking into consideration the timing of the investments and the status of our business and operating entities.

Use of Proceeds from the Pre-IPO Investments We utilised the proceeds for the development and operation of the business of the members of our Group, including but not limited to, business expansion, capital expenditures, hiring of talent and marketing. As of the Latest Practicable Date, approximately 50% of the net proceeds from the Pre-IPO Investments by the Pre-IPO Investors were utilised by our operating subsidiaries.

Lock-up Any equity securities of the Company held by the Pre-IPO Investors will be subject to a lock-up period to be specified by the Company and the managing underwriters of the Listing, for a period that shall not exceed 180 days from the effective date of the relevant registration statement or the pricing date of the offering as may be requested by the underwriters (whichever is the later).

All the principal Pre-IPO Investors will retain at least an aggregate of 50% of their investment at the time of Listing for a period of at least six months following the Listing, in accordance with Guidance Letter HKEX-GL93-18.

Strategic benefits of the pre-IPO investment At the time of the Pre-IPO Investments, our Directors were of the view that in addition to providing working capital for our Company's continued growth, our Company could also benefit from the knowledge and experience of our Pre-IPO Investors. Moreover, our Directors were also of the view that the Company could benefit from the Pre-IPO Investments as the Pre-IPO Investors' investments demonstrated their confidence in the operations of our Company and served as an endorsement of our Company's performance, strengths and prospects.

Special rights of the Pre-IPO Investors

Certain special rights were granted to our Pre-IPO Investors under the shareholders agreement dated June 27, 2019 and our existing memorandum and articles. Such special rights will be suspended upon

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submission of a listing application and/or will be terminated upon the Listing, in compliance with Guidance Letter HKEX-GL43-12.

All the Pre-IPO Preferred Shares will convert into Class B Shares immediately prior to the Share Subdivision and completion of the Global Offering, at which time our share capital will comprise two classes of shares (Class A Shares and Class B Shares). See “Share capital—Weighted voting rights structure” for details of the rights attached to the Class A Shares and Class B Shares.

Public float

To the best of our knowledge, none of our Pre-IPO Investors or their ultimate beneficial owners will individually or collectively be entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of our Company. As such, all the Shares held by the Pre-IPO Investors will constitute part of the public float.

Information on the Pre-IPO Investors

The general partner of IDG-Accel China Growth Fund III L.P. (“**IDG-Accel Growth III**”) is IDG-Accel China Growth Fund III Associates, L.P., which in turn is controlled by IDG-Accel China Growth Fund GP III Associates Ltd. (“**IDG-Accel GP III Ltd.**”). The general partner of IDG-Accel China III Investors L.P. (“**IDG-Accel Investors III**”) is IDG-Accel GP III Ltd.. IDG-Accel GP III Ltd. is managed and ultimately controlled by Mr. Quan Zhou and Mr. Chi Sing Ho. IDG-Accel Growth III and IDG-Accel Investors III are venture capital funds with a primary purpose of investing in growth stage companies in China, focusing on companies in the information, technology, media, healthcare, energy, clean technology and non-technology consumer businesses and services related industries, including, but not limited to, companies engaged in software, internet, telecom, media and managed healthcare business.

Absolute Capital Limited is wholly owned by Tianjin Dezhen Enterprise Management Partnership (Limited Partnership) (天津德陣企業管理合夥企業 (有限合夥)), whose general partner is Guangzhou DT Investment Management Co., Ltd. (廣州德同投資管理有限公司), which is wholly owned by DT (Beijing) Investment Management Co., Ltd. (德同(北京)投資管理股份有限公司)(“**DT Capital Partners**”). DT Capital Partners is a leading venture capital firm that provides growth capital to early and expansion stage companies in China. DT Capital Partners invest in dynamic businesses that have high growth potential, strong management teams, and demonstrated revenue models in both technology-based and traditional industries. DT Capital Partners manages multiple US dollar and RMB funds.

Max Elegant Limited is an investment holding vehicle incorporated in the Cayman Islands and controlled by Tianjin Sequoia Huanrong Enterprise Management Consulting Center L.P.. The general partner of Tianjin Sequoia Huanrong Enterprise Management Consulting Center L.P. is Sequoia Capital Equity Investment Management (Tianjin) Limited, whose issued share capital is owned by Kui Zhou and Lianqing Zhang as to 70% and 30%, respectively. The primary business scope of Tianjin Sequoia Huanrong Enterprise Management Consulting Center L.P. is to make of equity investments in private companies.

GCBR Holdings Limited is an investment holding company incorporated under the laws of the Cayman Islands and an affiliate of Gaocheng Capital. Gaocheng Capital is a private equity firm focusing on growth-stage investment opportunities in technological innovation and enterprise service sectors.

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HH BR-I Holdings Limited is wholly owned by Tianjin GLTC Enterprise Management Consultation, L.P. (天津高瓴天成企業管理諮詢合夥企業 (有限合夥), “**Tianjin GLTC**”). Tianjin GLTC is a limited liability partnership established under the laws of the PRC, the general partner of which is Zhuhai Gaoling Tiancheng Investment Management Co., Ltd. (珠海高瓴天成投資管理有限公司) and the limited partner of which is Zhuhai Gaoling Tiancheng Equity Investment Fund, L.P. (珠海高瓴天成股權投資基金 (有限合夥)), which is a private equity fund filed with the Asset Management Association of China (filing number: S20723).

HH BR-II Holdings Limited is wholly owned by Tianjin GLXY Enterprise Management Consultation, L.P. (天津高瓴鑫遠企業管理諮詢合夥企業 (有限合夥), “**Tianjin GLXY**”). Tianjin GLXY is a limited liability partnership established under the laws of the PRC, the general partner of which is Zhuhai Gaoling Tianhe Investment Management Co., Ltd. (珠海高瓴天合投資管理有限公司) and the limited partner of which is Zhuhai Gaoling Xinyuan Assets Management Center (Limited Partnership) (珠海高瓴鑫遠資產管理中心 (有限合夥)), which is a private equity fund filed with the Asset Management Association of China (filing number: SJ5897).

HH BR-III Holdings Limited is wholly owned by Tianjin GLZY Enterprise Management Consultation, L.P. (天津高瓴致遠企業管理諮詢合夥企業 (有限合夥), “**Tianjin Zhiyuan**”). Tianjin Zhiyuan is a limited liability partnership established under the laws of the PRC, the general partner of which is Zhuhai Gaoling Tiancheng Investment Management Co., Ltd. (珠海高瓴天成投資管理有限公司) and the limited partner of which is Zhuhai Gaoling Zhiyuan Assets Management Center (Limited Partnership) (珠海高瓴致遠資產管理中心 (有限合夥)).

Tianjin Huaxing Fengrong Technology Development Partnership (L.P.) is a limited partnership organised in China, the general partner of which is Ningbo Meishan Bonded Port Huaxing Xinshou Capital Management Center, L.P., an entity indirectly controlled by China Renaissance Holdings Limited (HKEX:1911). The fund is managed by China Renaissance and has raised capital from limited partners that include high net worth individuals and institutional and corporate investors.

BLKR Holdings Limited, a limited liability company established under the laws of the British Virgin Islands, is wholly owned by Tianjin Bai Lang Kun Rong Business Management Consulting Partnership (Limited Partnership), a limited partnership established under the laws of the PRC. It is held as to 83.33% by Jiaying Yi Lang Kun Rui Investment Management Partnership (Limited Partnership), whose limited partner is Zhe Hao Asset Management (Shanghai) Co., Ltd., which is controlled by Ning Tang (唐寧).

Orient Hg Equity Investment Co., Ltd, a limited liability company established under the laws of the British Virgin Islands, is wholly owned by Tianjin Dongfang Huagai Investment Partnership (L.P.). Dongfang Huagai Equity Investment Management (Beijing) Ltd. is its sole management company and Beijing Dongfang Huagai Venture Capital Co., Ltd. is its limited partner (an investment vehicle that has raised capital from over a dozen high net worth individuals and institutional and corporate investors). Dongfang Huagai Equity Investment Management (Beijing) Ltd. is a limited liability company established under the laws of the PRC, is controlled by Ms. Li Xu (許莉) and focusing mainly on investment in areas including financial technology and artificial intelligence.

Maggie & Tony Limited is a limited liability company incorporated and existing under the laws of the British Virgin Islands.

Baywise Capital Limited Partnership is an exempted limited partnership registered under the laws of the Cayman Islands. Its general partner is Baywise Partnership Limited and its limited partners include

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high net worth individuals and family offices. Baywise Capital Limited Partnership is a private equity investment company focusing on the Greater China market, mainly targeting the enterprise software sector in China.

Sunkiss Capital International Holdings Limited is incorporated in the British Virgin Islands. Sunkiss Capital is a Beijing-based venture capital firm that invests in cultural innovation industry and financial industry.

Qianhai Golden Bridge IV LP is a limited partnership established in the Cayman Islands controlled by Qianhai Golden Bridge Management Ltd, which is wholly owned by Qianhai Golden Bridge Co., Ltd. Qianhai Golden Bridge Co., Ltd is wholly owned by CICC Qianhai Development (Shenzhen) Fund Management Co., Ltd (中金前海(深圳)私募股權基金管理有限公司, “CICC-Qianhai”), a fund management company with independent decisions and operations established in the Qianhai Special Administrative Zone of Shenzhen. CICC-Qianhai is controlled by CICC Capital Operation Co., Ltd., which is wholly owned by China International Capital Corporation Limited (HKEX: 3908). CICC-Qianhai is principally engaged in, among other things, the fiduciary management of equity investment funds, with current size of assets under management exceeding RMB10 billion.

Wu Capital Limited is wholly owned by TMF (Cayman) Ltd., which is the trustee of a family trust set up by Ms. Xinyi Cai.

CRF Summit Investment Limited and Waterdrop Investment Limited are each wholly owned by Tianjin Shenghua Tianxi Enterprise Management Partnership L.P. (天津晟華天禧企業管理合夥企業(有限合夥)) and Tianjin Zhonghe Tianxi Enterprise Management Partnership L.P. (天津衆合天禧企業管理合夥企業(有限合夥)), respectively, both of whose sole management company are Xinjiang Guoxin Equity Investment Management Co., Ltd. (新疆國新股權投資管理有限公司) and whose single largest shareholder are Qingdao Guoxin Shenghua Equity Investment Management Partnership L.P. (青島國新晟華股權投資管理合夥企業(有限合夥)). Xinjiang Guoxin Equity Investment Management Co., Ltd. is wholly owned by China Reform Innovative Sci-Tech Fund Management Co., Ltd. (國新科創基金管理有限公司), the single largest shareholder of Qingdao Guoxin Shenghua Equity Investment Fund L.P. is Guoxin Technology Innovation Equity Investment Fund L.P. (國新科創股權投資基金(有限合夥)) with China Reform Innovative Sci-Tech Fund Management Co., Ltd. being its sole management company. China Reform Fund Management Co., Ltd. (中國國新基金管理有限公司) is the largest single shareholder of China Reform Innovative Sci-Tech Fund Management Co., Ltd.. China Reform Fund Management Co., Ltd. is wholly owned by China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司). China Reform Holdings Corporation Ltd., which was established by SASAC, acts as the operating platform of Chinese state-owned capital. In order to develop its equity investment business, China Reform Holdings Corporation Ltd., established several fund management companies with China Reform Innovative Sci-Tech Fund Management Co., Ltd. being one of them and with China Reform Fund Management Co., Ltd. being the supervision company of all the fund management companies.

Dynasty Star Ventures Ltd is a limited liability company incorporated under the laws of the British Virgin Islands. Dynasty Star Ventures Ltd is an investment vehicle wholly owned by Mr. Oei Tjie Goan.

Compliance with Stock Exchange guidance

On the basis that (i) the consideration for the Pre-IPO Investments was settled more than 28 clear days before the date of our first submission of the listing application form to the Stock Exchange in relation

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to the Listing and (ii) special rights granted to the Pre-IPO Investors in respect of our Company will be suspended upon filing of a listing application and/or will be terminated upon Listing, the Joint Sponsors have confirmed that the Pre-IPO Investments are in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange in October 2010, as updated in March 2017, the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

CAPITALISATION

The below table is a summary of the capitalisation of our Company following the Pre-IPO Investments and Reorganisation:

Shareholder	Ordinary shares with a par value of US\$0.0001 each	Series A Preferred Shares	Series B Preferred Shares	Series B+ Preferred Shares	Series C Preferred Shares	Series C+ Preferred Shares	Ownership percentage as of the date of this document	Ownership percentage immediately after completion of the Global Offering ⁽¹⁾
Genisage Tech Inc.	16,859,923	—	—	—	—	—	22.69	17.02
LSBAI TECHNOLOGY INC.	1,181,549	—	—	—	—	—	1.59	1.19
GeniAI Tech Ltd.	3,000,000	—	—	—	—	—	4.04	3.03
IDG-Accel China Growth Fund III L.P.	3,929,821	—	—	—	—	—	5.29	3.97
IDG-Accel China III Investors L.P.	278,597	—	—	—	—	—	0.37	0.28
Absolute Capital Limited	2,492,788	—	—	—	—	—	3.36	2.52
Max Elegant Limited . . .	1,837,625	—	4,349,884	—	—	—	8.33	6.25
GCBR Holdings Limited	735,050	1,925,916	1,122,506	—	—	—	5.09	3.82
HH BR-I Holdings Limited	—	8,098,674	—	—	—	—	10.90	8.18
HH BR-III Holdings Limited	—	1,108,443	—	—	—	—	1.49	1.12
Tianjin Huaxing Fengrong Technology Development Partnership (L.P.) . . .	—	—	1,604,965	—	—	—	2.16	1.62
BLKR Holdings Limited	—	—	1,225,084	—	—	—	1.65	1.24
Orient Hg Equity Investment Co., Ltd	—	—	1,069,977	—	—	—	1.44	1.08
Maggie & Tony Limited	—	—	469,254	—	—	—	0.63	0.47
Baywise Capital Limited Partnership	—	—	368,064	—	—	—	0.50	0.37
Sunkiss Capital International Holdings Limited . . .	—	—	490,034	—	—	—	0.66	0.49
Qianhai Golden Bridge IV LP	—	—	—	5,140,867	—	—	6.92	5.19
Wu Capital Limited . . .	—	—	—	4,862,982	—	—	6.55	4.91

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Shareholder	Ordinary shares with a par value of US\$0.0001 each	Series A Preferred Shares	Series B Preferred Shares	Series B+ Preferred Shares	Series C Preferred Shares	Series C+ Preferred Shares	Ownership percentage as of the date of this document	Ownership percentage immediately after completion of the Global Offering ⁽¹⁾
HH BR-II Holdings Limited	—	—	—	1,389,423	—	—	1.87	1.40
CRF Summit Investment Limited	—	—	—	—	5,634,156	—	7.58	5.69
Waterdrop Investment Limited	—	—	—	—	3,280,160	—	4.42	3.31
Dynasty Star Ventures Ltd	—	—	—	—	—	1,837,624	2.47	1.86
Other public Shareholders	—	—	—	—	—	—	—	25.00
Total	30,315,353	11,133,033	10,699,768	11,393,272	8,914,316	1,837,624	100.00	100.00

Note:

- (1) Assuming that the ordinary shares and Pre-IPO Preferred Shares will be reclassified and redesignated as class A ordinary shares and converted into class B ordinary shares upon the Global Offering becoming unconditional, immediately before the Share Subdivision is completed and assuming that the Over-Allotment Option is not exercised and no shares are issued pursuant to the Share Schemes. Our Company will adopt a WVR structure through two classes of Shares (Class A Shares and Class B Shares). Class A Shares entitle the Shareholders to 10 votes per share and Class B Shares entitle the Shareholders to one vote per share, except for resolutions with respect to the Reserved Matters for which each Share entitles each Shareholder to one vote per share. Therefore, the ownership percentage does not reflect Shareholders' voting rights upon completion of the Global Offering.

COMPLIANCE WITH PRC LAWS

Corporate structure and Reorganisation

Our PRC Legal Adviser has confirmed that (i) the PRC companies in our Group as described in this section have been duly established, (ii) all necessary regulatory approvals, permits and licences in respect of the incorporation and changes of the PRC companies have been obtained in accordance with PRC Laws, and (iii) all share transfers and changes in registered capital of the PRC subsidiaries as part of the Reorganisation have complied with all applicable PRC Laws in all material respects.

SAFE registration in the PRC

Under the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Roundtrip Investment Through Special Purpose Vehicles (國家外匯管理局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 37**”), which became effective on July 4, 2014:

- (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and
- (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other changes, a change of the 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 the Circular of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration on Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯

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管理政策的通知), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity was located.

Our PRC Legal Adviser has advised that Mr. Zhang and Mr. Bai Linsen, both Chinese residents, have completed their foreign exchange registration of overseas investments as required under the Circular 37 on October 10, 2018.

MOFCOM and CSRC approval

Under the M&A Rules issued on August 8, 2006, effective as of September 8, 2006 and amended in June 2009, a foreign investor is required to obtain necessary approvals when it:

- (a) acquires the equity of a domestic non-foreign invested enterprise thereby converting the domestic enterprise into a foreign-invested enterprise;
- (b) subscribes for the increased capital of a domestic non-foreign invested enterprise so as to convert the domestic enterprise into a foreign-invested enterprise;
- (c) establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise; or
- (d) purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise.

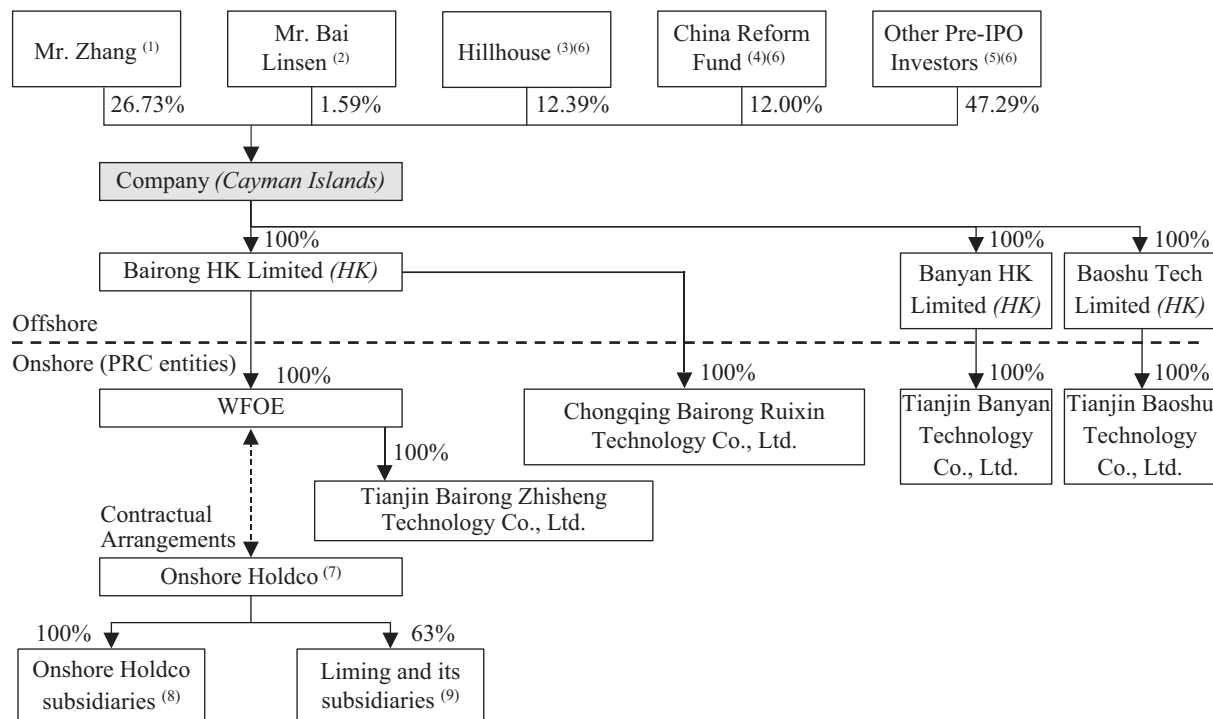
Our PRC Legal Adviser has advised that, given that (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether the Global Offering of our Company is subject to this regulation, (ii) our wholly-owned PRC subsidiaries were established by foreign direct investment, rather than through a merger or acquisition of a domestic company as defined under the M&A Rules, and (iii) no explicit provision in the M&A Rules classifies the Contractual Arrangements among our wholly-owned PRC subsidiaries, a variable interest entity and its shareholders as a type of acquisition transaction under the M&A Rules, they advise that the establishment of our wholly-owned subsidiaries and the Reorganisation are not subject to the M&A Rules, and the Global Offering of our Company does not require approvals from the CSRC and MOFCOM under the M&A Rules. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented and we cannot assure you that relevant PRC governmental authorities, including the CSRC, would reach the same conclusion as our PRC Legal Adviser.

HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

Corporate structure before the Global Offering

The following simplified diagram illustrates the corporate and shareholding structure of our Group immediately prior to the reclassification and redesignation of shares, the Share Subdivision and completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes):



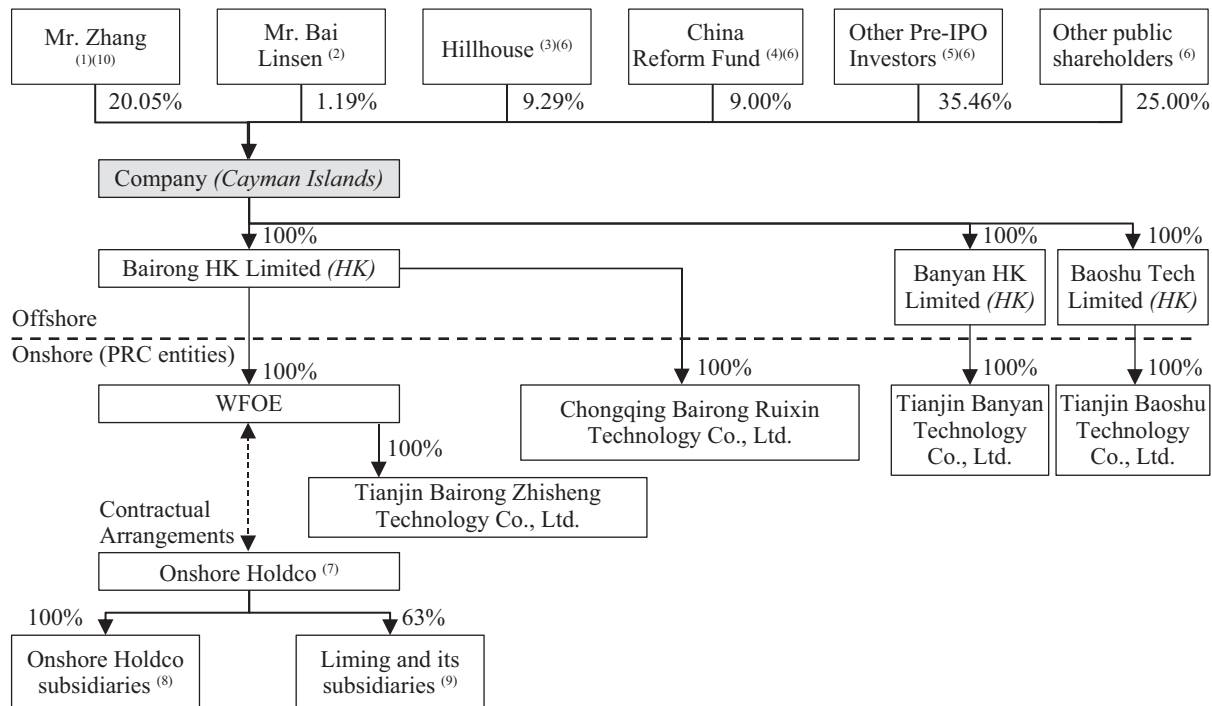
Notes:

- (1) Mr. Zhang is deemed interested in the shares held by Genisage Tech Inc. and GeniAI Tech Ltd.. Genisage Tech Inc. is wholly owned by Genisage Holdings Limited. The entire interest in Genisage Holdings Limited is held through a trust which was established by Mr. Zhang (as settlor) for the benefit of himself and his family. GeniAI Tech Ltd. is wholly owned by RongXing Trust, which is managed by Mr. Zhang and two employees. These shares are for the motivation of our senior management, employees and other skilled personnel and to provide incentives for their contributions to our Company. See “Relationship with our Controlling Shareholders” for details.
- (2) Mr. Bai Linsen holds his interest through LSBAI TECHNOLOGY INC., which is wholly-owned by him.
- (3) Hillhouse holds its interest through HH BR-I Holdings Limited and HH BR-III Holdings Limited. HH BR-I Holdings Limited is wholly owned by Tianjin GLTC Enterprise Management Consultation, L.P.. HH BR-III Holdings Limited is wholly owned by Tianjin GLZY Enterprise Management Consultation, L.P.. The general partner of both Tianjin GLTC Enterprise Management Consultation, L.P. and Tianjin GLZY Enterprise Management Consultation, L.P. is Zhuhai Gaoling Tiancheng Investment Management Co., Ltd..
- (4) China Reform Fund holds its interest through CRF Summit Investment Limited and Waterdrop Investment Limited. CRF Summit Investment Limited is wholly owned by Tianjin Shenghua Tianxi Enterprise Management Partnership L.P. and Waterdrop Investment Limited is wholly owned by Tianjin Zhonghe Tianxi Enterprise Management Partnership L.P., with Xinjiang Guoxin Equity Investment Management Co., Ltd. being their sole management company. Xinjiang Guoxin Equity Investment Management Co., Ltd. is wholly owned by China Reform Investment Fund Management Co., Ltd., with China Reform Fund Management Co., Ltd. being its largest single shareholder. China Reform Fund Management Co., Ltd. is wholly owned by China Reform Holdings Corporation Ltd.
- (5) Other Pre-IPO Investors refers to all Pre-IPO Investors excluding those identified in notes (3) and (4) above.
- (6) These shares will count towards the public float upon Listing.
- (7) See “Contractual Arrangements” for details of the shareholders of Onshore Holdco.
- (8) Onshore Holdco subsidiaries include the following wholly-owned subsidiaries: Bairong Zhixin (Beijing) Credit Information Co., Ltd., Guangzhou Shurong Internet Micro-lending Co., Ltd., Bairong (Guiyang) Financial Information Services Co., Ltd., Shanghai Baozhu Information Technology Co., Ltd., Shenzhen Shuqu Information Technology Co., Ltd., Shenzhen Bairong Borui Information Technology Co., Ltd., Bairong Ruicheng Information Technology Co., Ltd., Hebei Xiong’an Bairong Technology Co., Ltd and Beijing Rongda Tianxia Information Technology Co., Ltd.. Beijing Rongda Tianxia Information Technology Co., Ltd. is the sole shareholder of Bairong Zhixiang (Shenzhen) Technology Co., Ltd..
- (9) The remaining shareholders of Liming are Asia Investment Huijin (Beijing) Assets Management Co., Ltd., Gongqingcheng Dabao Investment Partnership (LP) and Beijing Shengde Jiahui Investment Co., Ltd. as to 21.60%, 10.00% and 5.40%, respectively, each of whom are Independent Third Parties. Shandong Riyue Insurance Box Information Technology Co., Ltd. is a wholly-owned subsidiary of Liming.

HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

Corporate structure immediately following the Global Offering

The following simplified diagram illustrates the corporate and shareholding structure of our Group immediately following the reclassification and redesignation of shares, the Share Subdivision and completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes):



See above for notes (1) to (9):

(10) Our Company will have a WVR structure immediately upon completion of the Global Offering through two classes of Shares (Class A Shares and Class B Shares). Therefore, the ownership percentage does not reflect Shareholders' voting rights upon completion of the Global Offering. Mr. Zhang would be able to exercise approximately 68.42% of the aggregate voting rights, save for in respect of the Reserved Matters. See "Share capital—Weighted voting rights structure" for details.

Mission

Our mission is to empower every financial services provider in China with smart and comprehensive data analytics.

Overview***Overview of Our Business***

We are a leading independent AI-powered technology platform in China serving the financial services industry. According to Frost & Sullivan, we are the largest independent financial big data analytics solutions provider in China by revenue in 2019 (after taking into account revenue from precision marketing services). We have developed an expertise analysing consumers' financial and behaviour patterns and are able to derive critical data insights enabling financial services providers, or FSPs, to improve their service efficiency while enhance their risk management capabilities. As of September 30, 2020, we had served more than 4,200 FSP clients (including 2,438 paying FSP clients) in China since our founding, including substantially all of China's national banks, more than 650 regional banks, substantially all of China's consumer finance companies, over 90 major insurance companies and a variety of other FSPs.

We provide services and facilitate transactions through our big data and AI technologies. Our services support the needs of FSPs in pre-lending risk management, post-lending monitoring, NPL management and insurance risk management, enabling them to reduce exposure to fraud and improve their underwriting and risk management effectiveness. We also provide big data marketing and distribution services that enable our FSP clients to reach and serve their target customers more effectively. Our precision marketing services are provided primarily through our proprietary financial product recommendation platform, Banyan, which is a marketplace connecting consumers with suitable financial products provided by our FSP clients. Our insurance distribution services are provided through our Liming technology platform, which provide brokers with data-driven tools and analytics to facilitate efficient and effective insurance sales and customer relationship management.

Benefiting from our massive data insights, advanced technology and leading service capabilities, we have won strong recognition and acceptance among licensed financial institutions. Our total revenue was RMB1,261.9 million for the year ended December 31, 2019 and RMB764.2 million for the nine months ended September 30, 2020. For the nine months ended September 30, 2020, approximately 90% of our total revenue came from FSP clients that are licensed financial institutions.

Our Market Opportunities and Value Propositions

The big data analytics services market for the financial services industry presents significant opportunity. According to Frost & Sullivan, the total revenue of the big data analytics services market for the financial services industry in China in 2019 was RMB109.3 billion, and it is expected to continue to experience rapid growth, reaching RMB252.4 billion in 2024 with a CAGR of 18.2% from 2019 to 2024. The independent financial big data analytics services market is where independent financial big data analytics solution providers, which are not affiliated to any FSPs, provide independent and unbiased big data analytics services for financial risk management and customer life cycle management business of various clients. The PRC's independent big data analytics services market for the financial industry accounted for approximately 9.6% of the overall market in terms of revenue in 2019. In 2019, we had an approximately 8.7% market share in terms of revenue of China's independent financial big data analytics services market.

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We have developed a wide range of products and services for different use cases of our FSP clients. Leveraging our big data analytics expertise, we provide the following value propositions to address the business needs of FSPs:

- *Broaden scope of data and provide extensive analytical expertise.* Due to limited data resources, FSPs often lack advanced data analytics and risk management tools to conduct credit risk assessment effectively and efficiently. Our comprehensive data labels and analytical capabilities enable FSPs to better analyse customers, manage credit risk and improve asset quality. In addition, our services and products allow FSP clients to save cost and timing to develop in-house data analytics capabilities, and to focus on managing end-customer relationships.
- *Enhance the efficiency of customer acquisition.* FSPs are in need of enhancing the efficiency of customer acquisition and engagement. We provide customised marketing analytics based on our data insights and precise consumer profiling capabilities. Our precision marketing services can help FSPs serve a broad customer base more personally and effectively.
- *Provide advanced technology capabilities.* FSPs are constantly looking for solutions to enhance their technology capabilities to quickly respond to customer needs and market changes. Leveraging our robust cloud-based technology infrastructure and data processing capabilities, we provide fast response to meet FSP clients' needs for large volume data operations and conduct real-time risk assessment. Our analytical models, smart decision engines and customised technology solutions enable FSP clients to address their specific process improvement needs and enhance their operations.
- *Independent data analytics solutions.* Financial institutions in China are required to conduct independent risk assessment in their lending activities. As an independent financial big data analytics solution provider, we can provide objective and unbiased product and services without conflicts of interests to address the increasing needs of FSPs and help them to improve risk management capabilities to meet the regulation requirements.
- *Provide insurance companies and insurance brokers with a more efficient, technology-enabled insurance distribution platform.* The insurance companies choose to distribute their products through our platform primarily because we distinguish ourselves with integrated data analytics capabilities to accurately portray customers' sentiments and preferences for insurance products, thereby improving distribution efficiency. Insurance brokers are attracted to our platform over others for the following reasons. First, our client relationship management tool Liming Box enables our insurance brokers to efficiently manage the entire insurance purchase process and seamlessly perform all policy management functions. Liming Box also provides a one-stop management tool to support our insurance brokers, including product and technical training, sales and marketing techniques training, information support and technology support. Second, by leveraging analytics of massive data insights and utilising our innovative technology platform, we are able to empower our brokers with better insights into their prospective customers, enabling them to deliver to customers a superior insurance purchase experience. Third, we have a flat broker organisation structure with only two management levels, compared with the multiple-layer organisation structure that is adopted by most of the insurance companies and insurance intermediaries in China. In such a structure, we create a de-centralised approach to marketing by enlarging the span of control of each of our experienced brokers.

In contrast to the traditional credit assessment business in China, which typically relies on a small variety of static data without advanced AI capabilities and often only provides a limited number of products or services, we use our core database and data analytics capabilities to provide products and services that extend across the full service cycle of FSPs, including credit risk assessment and decision

making, risk monitoring and management, and precision marketing. In turn, our products and services generate a large volume of data labels, enabling us to continuously expand our database, improve our modelling and product effectiveness, and develop sector-specific solutions and insights. Moreover, our products and services can be integrated with our FSP clients' decision-making process, generating visible and recurring revenues; they can also be delivered on a modularised basis, such that they can be easily subscribed to, individually or in combination, by new clients with minimal incremental IT or system development efforts.

Our Business Model

Our path from inception

Our Company was built on a solid foundation. Our founder, Mr. Shaofeng Zhang, served as the chief data officer of Percent Corporation involved in data intelligence technology in China and was responsible for the development and operations of its big data products prior to founding our Company. Mr. Zhang's years of experience and deep insights in the operations of data analytics businesses and technology companies in China, together with the talent he brought and attracted to our Company, contributed significantly to the foundation and early development of our data analytics capabilities. In addition, shortly after our founding, we were able to establish stable relationships with reputable data partners and develop our database. For example, our collaboration with Percent Corporation and Union Mobile enabled us to gain access to high quality data labels in the early years. We also expanded our collaboration with third-party data partners, such as telecommunications operators, to enrich our data insights and enhance our data ecosystem. Meanwhile, upon endorsement from our blue-chip shareholders, we were able to collaborate with a few state-owned commercial banks shortly after our founding, from which we received meaningful feedbacks on our product and service offerings. Such early access of data labels, coupled with our land and expand strategies, formed our first-mover competitive advantage, established our reputation within the financial services industry and allowed us to continuously refine our models, upgrade existing products and introduce new products, and quickly replicate our success with a broader client base.

Key features of our business model

The competitive advantages of our business centre around our proprietary and comprehensive repertoire of data labels, AI-powered big data analytics capabilities, and agile product development capability. We have established, through proprietary accumulation as well as collaboration with third-party partners, large and comprehensive database covering a wide range of consumer data labels using both financial and non-financial metrics. In the early years of our business, we relied on certain data partners to provide us with the data labels we needed to develop early algorithm-driven models and risk-scoring products to meet our clients' risk management needs. Now, our wide array of data partners range from travel services to payment processing and telecommunication operators, each providing us with data labels in specific category via real-time query feedback. We source data only from reputable data partners that have a commitment to provide high quality data labels, and have developed comprehensive vetting standards for data partner engagement. Our representative data partners include, among others, (i) a subsidiary of a Shenzhen-listed company which is a pioneer in China's payments and fintech industry, (ii) a subsidiary of a major state-owned telecommunications operator that focuses on providing consumer internet products and services through a unified online platform, and (iii) a leading big data intelligence strategy service provider, which offers one-stop services for big data analytics and application service platforms in connection with banking services provided through China's major interbank network. We maintain a strict vetting process for third-party data partners to ensure the integrity and quality of the data labels they provide to us. See "Business—Data

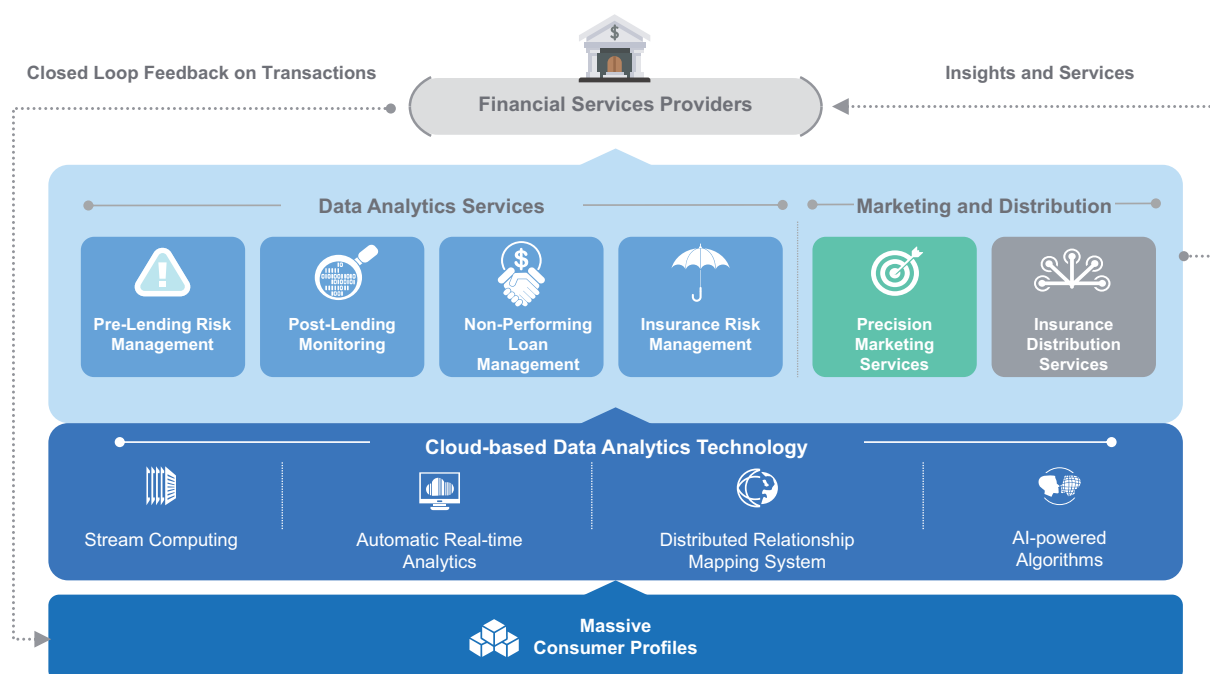
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Arrangements and Data Security” for a detailed description of the measures and protocols we use to ensure data security. As we expand our product offerings, increase our technology investments, and gain market share, we have gradually developed an ecosystem of data analytics enabling us to accumulate rich data labels and enhance our industry expertise through collaboration with various external data partners and interactions with FSP clients. As we are one of the preferred service providers for independent big data analytics products and services for more than 4,200 FSPs in China as of September 30, 2020, we are in a position to continually obtain dynamic data insights from the provision of services to market players in China’s financial services industry. Such proprietary accumulation, together with data labels sourced from selected data partners, has enabled us to build a comprehensive database covering a wide range of consumer data labels.

Our continuous investments in technology have built a cloud-native technology platform that supports the development and delivery of products and services to clients. Our big data analytics engines help FSP clients improve their decision making, marketing and distribution. Our platform offers a number of individual product modules which can be easily deployed and integrated with our clients’ IT infrastructure and workflows via standardised application programming interfaces (APIs). We can also package various modules into customised end-to-end solutions for our clients. The cloud-native nature of our platform enables us to quickly adapt and deliver products and services to satisfy FSPs’ ever-evolving needs, which, in turn, ensure the richness and diversity of our data labels. This ecosystem enables us to continuously expand our database, improve our data processing and data analytics capabilities, and help our clients enhance decision-making efficiency.

In addition, our technology infrastructure empowers us to process a massive volume of data requests from FSPs in a cost-effective way. For instance, we are capable of processing hundreds of millions of data analytics requests from FSPs per hour. We processed approximately 2.48 billion requests from FSPs in 2019 and approximately 3.14 billion requests for the nine months ended September 30, 2020.

The diagram below illustrates our data-technology platform and the operation of our data analytics services and marketing and distribution services.



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We generate our revenue primarily through provision of data analytics services, precision marketing services and insurance distribution services. We adopt a “land and expand” approach to acquire FSP clients and grow our relationships with existing clients over time. We offer a number of free products to attract new clients and seek to deepen our client relationship through upselling and cross-selling our services and providing customised products and services. We complement this “land and expand” model with a business development team that possesses deep industry expertise and is dedicated to establishing long-term relationships with FSPs, understanding and anticipating their needs and identifying upselling and cross-selling opportunities. By forming a virtuous “Data—Analytics—Products” cycle where massive data labels and robust data analytics capabilities facilitate continuous innovation in products and services, our business model enables us to continuously enrich our core database and improve our data analytics capabilities, and to help us gain a significant operating leverage and high revenue visibility, thus generating recurring revenues and stable cash flows.

Since our founding, we have experienced significant growth, highlighted by the following key metrics:

- *Number of paying FSP clients.* As of December 31, 2017, 2018, 2019 and September 30, 2020, among more than 4,200 FSP clients we served, we cumulatively had 511, 1,301, 2,031 and 2,438 paying FSP clients that had a paid subscription for our products and services, respectively. “Paid subscription” by an FSP client in the context of our business means (i) a subscription based on usage, without an initial or recurring fee or (ii) an annual subscription that offers a standardised package with a pre-determined or unlimited number of requests such FSP client may use during the term of the related service agreement.
- *Average revenue of paying FSP clients.* We served 493, 1,202 and 1,494 paying FSP clients in 2017, 2018 and 2019, respectively, generating an average revenue per client of approximately RMB0.72 million, RMB0.71 million and RMB0.84 million in 2017, 2018 and 2019, respectively.
- *Number of Key FSP clients.* We define “Key FSP” clients as licenced financial institutions that each contribute more than RMB300,000 total revenue in a given calendar year. 62, 135 and 196 of our paying FSP clients were Key FSP clients in 2017, 2018 and 2019, respectively.
- *Revenue contribution by Key FSP clients.* Our Key FSP clients generated 55%, 64% and 73% of our total revenue in 2017, 2018 and 2019, respectively, and we achieved an average revenue per client (ARPC) of approximately RMB3.2 million, RMB4.1 million and RMB4.7 million in 2017, 2018 and 2019, respectively. ARPC is defined as the total revenue generated by our Key FSP clients in a given year divided by the number of Key FSP clients in that year.
- *Key FSP client retention rate and net dollar expansion rate.* We had a Key FSP client retention rate of 89% in 2019. The Key FSP client retention rate is the percentage of the Key FSP clients we have in a given year that we continue to retain during the next twelve months. Also, we achieved a net dollar expansion rate of 125% in 2019 for our Key FSP clients in 2018. Net dollar expansion rate is an indicator for the long-term value of our business relationship with our Key FSP clients and our ability to retain and grow revenue from Key FSP clients. We calculate net dollar expansion rate as a fraction, the denominator of which is the revenue contribution from Key FSP clients in one given year and the numerator of which is the contribution from the same group of Key FSP clients in the following year, expressed as a percentage.

Our revenue increased significantly from 2017 to 2019 primarily due to the increase in the number of our Key FSP clients and their ARPC, while the decline in our revenue in the nine months ended September 30, 2020 was primarily due to the impact of COVID-19 on our business and the financial services industry in general. The losses recorded during the Track Record Period were primarily attributable to the increase in the fair value of our redeemable convertible preferred shares as a result of

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the increase in our equity value. The following table sets forth our revenue and loss during the Track Record Period:

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2017	2018	2019	2019	2020
	(Unaudited)				
	(RMB in millions)				
Total revenue	354.0	858.5	1,261.9	922.3	764.2
<i>YoY (%)</i>	—	142.5%	47.0%	—	(17.1%)
Loss from the year/period	(353.5)	(181.9)	(94.1)	(57.7)	(115.9)
<i>YoY (%)</i>	—	(48.5%)	(48.3%)	—	101.0%

Excluding the impact of fair value changes of redeemable convertible preferred shares and a few other items not expected to result in future recurring cash payments, we had (i) non-IFRS losses of RMB83.2 million in 2017 and RMB1.6 million in 2018 and a non-IFRS profit of RMB13.1 million in 2019; and (ii) non-IFRS profits of RMB10.9 million for the nine months ended September 30, 2019 and RMB20.4 million for the nine months ended September 30, 2020. See “Financial Information—Non-IFRS Measure” for more details on this non-IFRS measure.

Our Strengths

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

Market leadership

According to Frost & Sullivan, we are the largest independent financial big data analytics solutions provider in China by revenue in 2019 (after taking into account revenue from precision marketing services). For the year ended December 31, 2020, our market share was approximately 9.0%. We have achieved our leadership position based on the strength and composition of our products and services, specifically:

- Independent service platform, allowing us to earn the trust of our over 4,200 FSP clients as of September 30, 2020. We do not have conflict of interests with our FSP clients in terms of serving their end-customers directly or assuming any credit or insurance underwriting risk associated with the financial products provided by our FSP clients. Instead, we enable FSPs to provide financial products to their customers more efficiently by offering them with data analytics services tailored to their needs;
- Comprehensive products and service offerings covering the needs of all types of FSP clients. We offer a full suite of products and services to FSP clients who have different target customers. Our data analytics services provide our FSP clients with decision-making support, while our precision marketing services enhance their customer acquisition capability. These products and service offerings are integrated with business workflows across the entire service cycle of our clients, establishing a strong recurring element to our revenue and strengthening our data insights to improve our products and service offerings continuously; and
- First mover advantages, which bring about unparalleled industry expertise. We were one of the first independent service platforms providing cloud-native credit risk assessment services in China. Through years of serving the entire service cycle of FSPs, we have developed unparalleled expertise in deriving actionable insights from multi-dimensional data labels and providing customised, sector-specific analytics solutions for our FSP clients to address various complicated business scenarios.

Our database will continue to expand as we engage and serve more FSP clients, enhancing our value to our FSP clients and forming a virtuous feedback loop that attracts more FSP clients.

Comprehensive data labels and analytical capabilities

Our core competitive strengths are defined not only by our rich data labels, but also by our analytical capabilities. Our AI-powered analytics capability is at the core of our innovative products and services, and we have made significant investments in research and development to ensure our market leading position. Our technology infrastructure empowers us to handle large volumes of disparate data in a cost-effective way.

Comprehensive data labels. We have built one of the largest and most comprehensive databases in China covering a wide range of data labels using both financial and non-financial metrics. Our proprietary, cloud-native platforms provide a variety of analytic products and services that are embedded into the business processes of FSPs, from customer acquisition, loan origination or insurance underwriting, existing portfolio management, to non-performing loan management. We processed approximately 2.48 billion requests from FSPs in 2019 and approximately 3.14 billion requests for the nine months ended September 30, 2020. This magnitude of requests generates a large amount of data labels, enabling us to continuously expand our datasets and improve our data analytics capabilities.

Accurate data insights. The value of our data labels is magnified by our ability to transform unstructured data labels into structured data labels and then into intuitive, actionable insights in the form of consumer credit assessments, precision marketing plans, risk management metrics and other key indicators across the financial services lifecycle. For instance, we have developed hundreds of types of risk scores based on consumer data labels and hundreds of analytical models that are suitable for various scenarios and for each specific customer base, including credit cards, point-of-sale credits and automobile financing.

Strong client base of financial services providers

Today, we are the big data analytics service provider of choice. As of September 30, 2020, we had served more than 4,200 FSP clients in China, including substantially all of China's national banks, more than 650 regional banks, substantially all of China's consumer finance companies, over 90 major insurance companies and a variety of other FSPs. For the nine months ended September 30, 2020, approximately 90% of our total revenue, or RMB686.1 million, came from FSP clients that are licensed financial institutions.

Our client base continues to grow as we expand our products and services and scale our business. Once we acquire a client, we are typically able to deepen our relationship through upselling and cross-selling additional products. Our business model helps us gain significant operating leverage and high revenue visibility, generating recurring revenues and stable cash flows. Since our founding, we have experienced significant growth. See “—Overview” for a detailed description of the key metrics we use to measure our growth.

Highly efficient and scalable business model

We have adopted a cloud-native service model, which makes our business efficient and scalable. Our cloud-based infrastructure allows us to scale up our capacity in response to demand in a flexible and timely manner, compared with the traditional on-premise models. We use our core database and our

data analytics capabilities to support the products and services we provide, which in turn generate consumer data labels of massive magnitude, enabling us to further enrich our core database and improve our data analytics capabilities. Moreover, our products and services are generally integrated with our FSP clients' decision-making process, making it easier for us to establish a long-term relationship with our clients. As a result, we build sustained partnerships with our clients and our products and services establish a recurring element, which helps us gain significant operating leverage and high revenue visibility, generating recurring revenues and stable cash flows.

We have adopted a “land and expand” model to cost-effectively expand our FSP client base and increase our service engagement with clients over time. We have complemented this model by building up a business development team with extensive experience in the financial services industry. This team is dedicated to establishing long-term relationships with FSPs, understanding and anticipating their needs and identifying opportunities for them to adopt our products and services. As we strengthen our relationship with an FSP and understand more about its strategies and policies, we are more likely to upsell and cross-sell additional solutions to them. For example, in 2019, 82 of our paying FSP clients who used our data analytic services also chose our precision marketing services or insurance distribution services at the same time. Revenue from those paying FSP clients was RMB564.6 million, accounting for 45% of our total revenue in 2019. Our business development team works closely with FSPs and continually gains insights into the competitive dynamics of the industry and new market opportunities.

Experienced management with technology-oriented culture

Since our founding in March 2014, our founder, Mr. Zhang Shaofeng, has been committed to building an independent technology company empowering FSPs with smart and comprehensive data analytics. With this goal in mind, he has assembled a senior management team that incorporates the critical inputs to market leadership in data technology to the financial services industry: technological expertise, particularly around data science; financial services experience, particularly around sales and regulation; and broad, rich operational backgrounds. The result is that our senior management team today includes data scientists, engineers, and former executives from banks, insurance companies, software businesses and technology providers. Our team collectively understands the needs of our FSP clients, has the perspective to anticipate the direction of their needs and most importantly understands the role that data and technology can play in fundamentally reshaping financial services.

Our Strategies

We intend to pursue the following strategies to further grow our business:

Solidify leadership in technology

Reinforce our technological advantage. We have invested significantly since 2017 to build a market leading database and infrastructure and we will continue to invest in technologies and collaborate with top universities and research institutions to develop technologies in AI and big data. In addition, we will continue to integrate new technologies into our products to better serve our clients. For example, our studies in machine learning and knowledge graph have resulted in an AI-powered servicing voicebot that enables clients to improve operating efficiency. Moreover, our collaborative efforts support our AI laboratory to keep improving our algorithms and models to explore new use cases and further utilise our proprietary data insights.

Strengthen infrastructure. We will continue to invest in our technology infrastructure to support our stable, reliable and scalable services. Currently, we have two data centres located in Beijing to offer

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reliable and secure operations. We plan to establish another back-up data centre to further protect our valuable data assets.

Broaden data access. We will continue to broaden our database as we serve more FSPs, develop more use cases, strengthen our cooperation with data partners from various industries and foster a comprehensive data ecosystem.

Enhance and expand our products and services

Expand and enhance our product and service offerings. We will continue to work with FSPs and expand our products and offerings to cater to their evolving needs. We plan to create more products and services by improving our mix of proprietary data sets, big data analytic capabilities and effectiveness of decision-making support. We will constantly seek to expand data access and incorporate data labels that can further leverage our analytic methods, technology platforms and intellectual capital, and will empower insurance brokers with efficient data driven tools and a mobile customer relationship management platform to increase their productivity.

Strengthen the innovation of our products and services. We are dedicated to continually improving the capability and innovation of our products and services. For example, we will further improve our big data analytics engine to offer enhanced risk-based scoring products. We will incorporate AI-enabled smart servicing voicebot with our cloud-native decision-making engine to provide a total solution package to regional banks and smaller FSP clients and help them penetrate local markets. We also plan to export our operation capabilities on Banyan platform to FSP clients.

Further expand our client base and deepen client relationships

We follow a “Land and Expand” model to acquire FSP clients and grow our client relationships over time.

Grow our client base and increase the number of paying clients. We attract new FSP clients with a number of basic services indispensable to their decision-making process. As new FSP clients realise the benefits derived from our platform, our business development team will anticipate their needs and identify opportunities to engage us for more services. We will further enhance our business development capabilities and further expand our footprint in the financial services industry.

Deepen our client relationships. Once we win a client, we continue to deepen our client relationship by offering more comprehensive products and services covering the entire transaction life cycle. We seek to formulate long-term and strategic relationship with our FSP clients to be their total solution provider.

Pursue strategic acquisitions that complement our leadership position

We will continue to expand our data and analytics capabilities across industries. While we expect this will occur primarily through organic growth, we have acquired and will continue to acquire assets and businesses that strengthen our value proposition to our FSP clients. We primarily focus on entities with differentiated proprietary data insights expertise in data and cloud service technologies. Through strategic acquisition and cooperation, we aim to enhance our products and services and strengthen our market leadership.

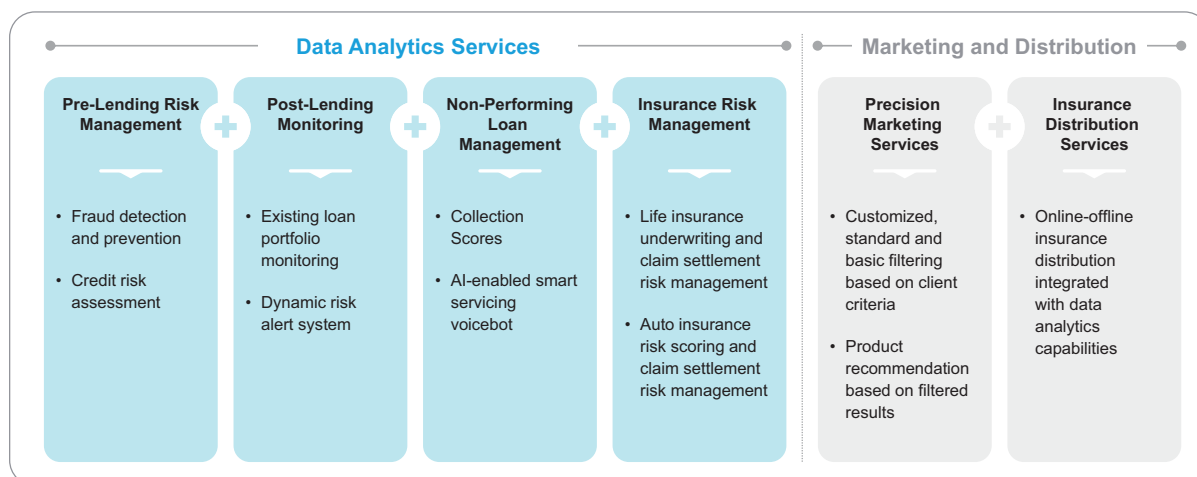
Our Products and Services

We have one centralised data analytics engine powering our wide array of services for FSP clients. Leveraging our comprehensive data insights, analytical capabilities and understanding of FSP client

needs, we offer data analytics services, precision marketing services and insurance distribution services:

- *Data analytics services.* We provide comprehensive data and analytical services to FSPs supporting their needs for pre-lending risk management, post-lending monitoring, NPL management and insurance risk management. Our products and services can be integrated with our FSP clients’ decision-making process and delivered on a modularised basis, establishing a recurring element to our revenue. Our cloud-based platform offers standardised products that can be connected with FSP clients’ systems via API, allowing FSP clients’ inquiries and information requests to be transmitted and processed in real time. In addition, our data analytics products are developed on a modularised basis as independent modules, such that our FSP clients can subscribe to them individually or in combination. Our FSP clients select these modularised products to address their needs in particular processes, such as identity verification, fraud detection, risk scoring, post lending risk monitoring, or customer upselling and cross-selling. We can also package various modules into customised end-to-end solutions, such as our localised solutions with pre-built model training tools and data analytics capabilities, to FSPs without deep expertise in AI or machine learning.
- *Marketing and distribution services.* We provide precision marketing services primarily through Banyan, our proprietary financial product recommendation platform. Banyan is a data driven recommendation platform, connecting consumers with suitable financial products provided by our FSP clients. Banyan also enables our FSP clients to reach and serve their target customers more effectively through our precision marketing capability. Banyan currently focuses on credit products (such as consumer loans) provided by FSPs, including major banks, consumer finance companies, micro-lending companies and online fintech platforms. In addition, we provide insurance distribution services through our Liming technology platform, which provide brokers with data-driven tools and analytics to facilitate efficient and effective insurance sales and customer relationship management. Our AI-powered analytics tools provide brokers with useful metrics to better assess a consumer’s protection needs as well as insurance product suitability, and our mobile customer relationship management app Liming Box provides brokers with efficient real-time tracking and management tools for customer relationships, meaningfully improving sales and retention performance.

These services generate consumer data insights of massive magnitude, enabling us to further expand our database and enhance our big data analytics capabilities. The diagram below illustrates the various types of products and services we offer.



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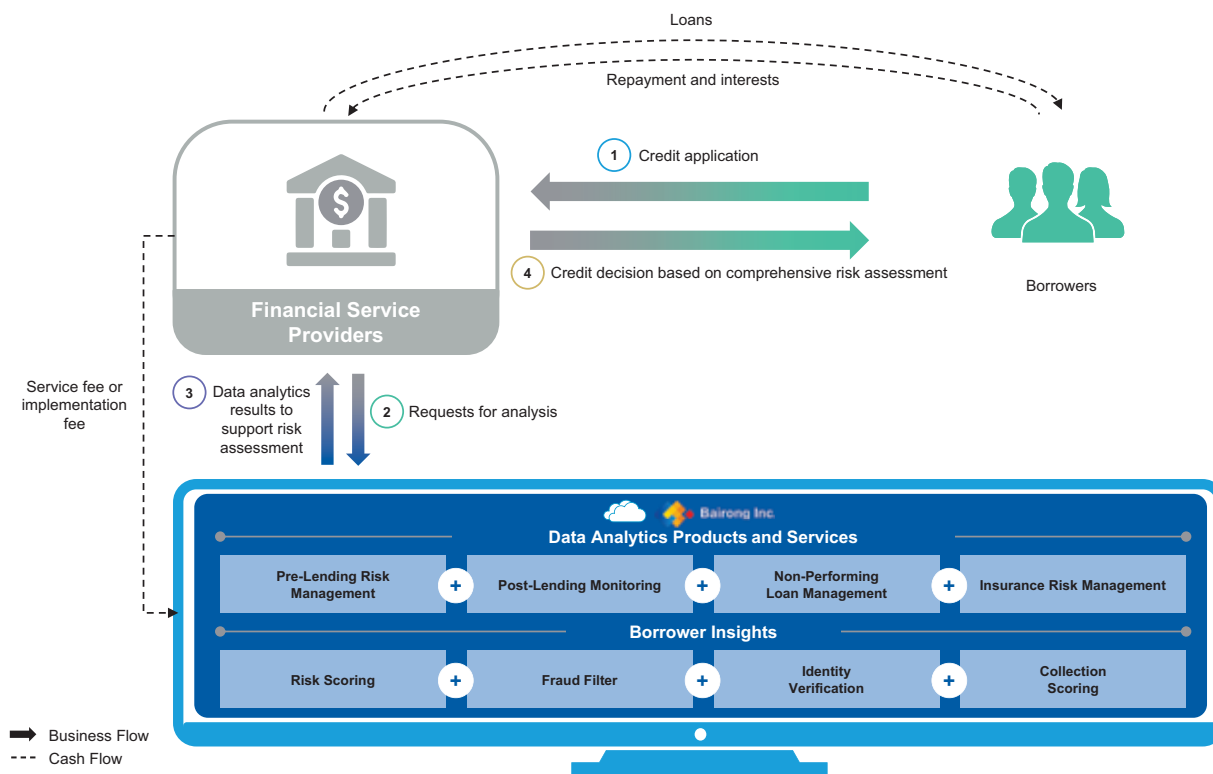
We follow a “land and expand” model to acquire FSP clients and grow our client relationships over time. We offer a limited number of free products to attract new clients and seek to deepen our client relationship through upselling and cross-selling of our services and providing customised products and services. We typically offer fraud filter to all of our FSP clients free of charge. See “—Data analytics services—pre-lending risk management” for details on fraud filter. Once we win a client, we tend to retain the client given the high degree of integration and the mission critical nature of our solutions’ functionality. We complement this model with a business development team with extensive industry experience and understanding of our clients’ needs, allowing us to continually gain insights into the competitive dynamics of the industry and new market opportunities.

Data analytics services

Our data analytics services, delivered through our cloud-native platforms, provide data analytics products and services to FSPs in China, supporting their needs for pre-lending risk management, post-lending monitoring, NPL management, and life and auto insurance risk management. These products and services primarily consist of data-driven analytics models, risk scores, intelligent cloud-based credit decision engines, and localised solutions. These products and services enable our FSP clients to reduce exposure to fraud and improve their underwriting and risk management effectiveness, ultimately lowering their operating costs. The underlying financial products for which our FSPs use our data analytics services include credit cards, credit products (primarily consumer loans) and insurance products (primarily auto insurance).

Typically, we charge our FSP clients based on the volume of requests that our platform processed via APIs of our products and services modules to which they subscribe. We also provide an annual subscription package to a small number of our FSP clients that are small and medium in terms of business volume. In addition, a small part of our revenue comes from providing project-based services to meet the specific needs of our clients, such as joint modelling, for which we charge a pre-negotiated fee. See “Business—Key Terms of Agreements With FSP Clients and Third-Party Data Partners” for a summary of technology development contracts with our FSP clients, under which we provide them with project-based products. See also “—Our Pricing Policy—Pricing policy and revenue model for data analytics services” for a detailed description. In 2017, 2018, 2019 and for the nine months ended September 30, 2019 and 2020, the revenue from project-based services was RMB3.4 million, RMB12.8 million, RMB27.6 million, RMB18.8 million and RMB25.4 million, respectively. We did not experience any loss-making projects or material cost overruns for these projects up to the Latest Practicable Date. Based on the different types and volumes of products and services that FSPs subscribe to, the key terms of our service agreements with FSP clients, such as pricing, term and renewal, also vary. The following diagram illustrates the typical transaction flow of FSPs’ risk assessment and how our data analytics services help in their decision-making services for lending.

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How our data analytics services are integrated with FSP clients' decision-making process

Our data analytics services are embedded into and integrated with our FSP clients' decision-making process because (i) our platform can be deployed and connected to the FSP client's IT infrastructure via API connection, and the deeper integration the FSPs' own system has with our platform, the more precise and timely feedback we are able to deliver to the FSP clients and (ii) our platform enables us to realise a continuous and timely delivery of our response and analysis to the requests of FSP clients, covering the cycle of their decision-making process, including credit application, credit assessment, underwriting, existing portfolio management and non-performing loan management. In addition, for ease of use of our products and services by our FSP clients, we offer our products and services on a modularised basis, such that our FSP clients can make the subscription individually or in combination. We can also package various modules into customised end-to-end solutions, such as our localised solutions offered in the form of a decision engine SaaS platform to FSPs without deep expertise in AI or machine learning.

How we match our FSP clients' inquiries correctly with encrypted personal information

In a typical operation process, our data intelligence infrastructure can match and respond to FSP clients' inquiries correctly in the following steps. First, our FSP clients will transmit an encrypted key, which is the encryption of the plain text of their clients' personal information (e.g., ID, mobile phone number) based on a particular encryption method we agree upon through secured AIPs. Such encrypted keys are anonymized in nature because the encryption method is based on irreversible mathematical function, i.e., the encrypted numerical key can never be converted back into plain text. Second, after receiving the encrypted keys, our data intelligence infrastructure will compare and seek to match the inquiry keys we receive against our database, which contains a library of keys encrypted by the same method. The FSP clients' inquiries will be further processed and responded in the event that there is a match between the keys we receive and our database. Third, our intelligence infrastructure will extract

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data labels relevant to the particular individual associated with that encrypted keys based on the type of API inquiry (e.g., ID verification, risk scores, etc.) being requested. Afterwards, data intelligence infrastructure will run the relevant models to complete the analysis and computation required and return to our FSP client final data analytics results (e.g., verification results, scores, etc.) via secure APIs. As of September 30, 2020, our database covered over 800 million unique encrypted inquiry keys.

Pre-lending risk management

Fraud detection and prevention

FSPs in China increasingly face fraudulent applications, which are often organised attacks, as more financial products are applied for online without identity verification of applicant. Demand for intelligent fraud detection products that provide broad coverage and draw upon massive and comprehensive sets of data has increased significantly over the years. As an important component of our pre-lending risk management product package, our fraud detection and prevention products include identity verification, fraud filters, and equipment fraud indicators. Our FSP clients can subscribe to these anti-fraud products and services, individually or in combination, to best suit their needs. We generally offer fraud filters to all of our FSP clients.

We offer the following fraud detection and prevention products and services:

<u>Product/Service</u>	<u>Description</u>
<i>Identity Verification</i>	This product compares and verifies the applicant's encrypted basic information provided by FSP with the comprehensive results obtained from our own data analysis and third-party data partner's modelling parameters (if applicable). We assess the fraud risk level based on either the level of significance or the number of discrepancies identified.
<i>Fraud Filter</i>	Fraud filters run an applicant's identity against our list of known types of fraud and/or list of highly suspicious types of fraud. Fraud labels are developed from public records or anti-fraud alliances in the financial services industry or as a result of our analytics by using relationship mapping and enhanced learning on individual's default patterns. Our fraud list is constantly updated. With this product, we pull in results from the above-mentioned products and return a single, easy-to-use score. The score can be customised according to our FSP clients' specific needs.
<i>Equipment Fraud Indicator</i>	This product relies on device fingerprint (GID) technology to assess the fraud risk of applicants by running the applications submitted via mobile devices against the individuals who use such devices.

Credit risk assessment

At the core of our pre-lending risk management package are the credit risk assessment products and services offered to FSP clients. The combination of our comprehensive data insights and strong analytics capability allow us to develop different types of credit assessment products and services to meet the needs of FSP clients of different types and sizes. Our credit risk assessment products and services primarily consist of data-driven analytics models and risk assessment scores:

<u>Product/Service</u>	<u>Description</u>
<i>Data-driven Analytics Models</i>	These models are developed based on the performance samples supplied by FSPs or extracted from our proprietary database. We have hundreds of analytical models that are suitable for various scenarios and for each specific customer case, including credit cards, point-of-sale credits and auto-financing. In addition, we also offer our Key FSP clients customised modelling to further enhance model effectiveness in risk assessments. We offer these models to our Key FSP clients.

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Product/Service

Description

Risk Assessment Scores

Using complex machine learning technologies and advanced proprietary algorithms, we have developed hundreds of types of risk scores to facilitate the underwriting process of our FSP clients. These risk assessment scores are based on the consumer data labels from our own comprehensive data insights, our FSP clients assessment needs and third-party data partner's modelling parameters (if applicable). These risk assessment scores can be used to assess the credit risk of different individuals in different types of financial products and in the context of different transactional scenarios, including credit cards, point-of-sale credits, auto-financing, online or offline large-amount credits and online micro-credits. Algorithms to develop these tested risk scores are continuously refined by our risk analysts team using the latest available performance samples or observations to ensure their effectiveness. The effectiveness of our basic and premium risk assessment scores differs, affording FSP clients a wide selection to choose from based on their needs and budgets.

Case study for pre-lending risk management

FSP Client 1 is a national bank to whom we provide pre-lending risk management services for their credit card, consumer credit and auto finance products. FSP Client 1 utilises our fraud detection and prevention services to reduce the risk of fraudulent credit applications. We have built a long term relationship with FSP Client 1, who originally started using our services on a trial basis. We believe the effectiveness of our pre-lending risk management services is evident by the significant increase in revenue contribution from FSP Client 1 from approximately RMB0.01 million for the year ended December 31, 2017 to approximately RMB13 million for the nine months ended September 30, 2020.

Post-lending monitoring

Our post-lending monitoring products include risk monitoring and marketing scoring of FSP clients' existing customers. Post-lending monitoring products provide early risk warning analysis and precision marketing support for FSP clients' operations.

Risk monitoring includes rule sets (identity verification and anti-fraud filtering), behaviour scoring (predicting probability of overdue risk in the future through behaviour scoring), and customised scoring (hierarchical user management based on risk levels to facilitate differentiated monitoring and early warning). Risk monitoring products provide early warning to FSPs in assessing the borrowers' current credit standing and projects their willingness or ability to pay, so that risks can be identified and action recommendations made as early as possible.

Marketing scoring of existing customers includes marketing response score and marketing order score. The marketing response score uses our advanced machine learning technology to analyse consumers' financial and behavioural patterns to determine whether the FSP client's dormant customers have more financial needs, activate user engagement, and identify cross-selling opportunities. The marketing order score not only gauges the potential consumer financial needs, but also provides rankings based on anti-fraud filtering and risk assessment scores for FSP clients to remind their customers to complete loans or insurance policies.

The customer base of a large FSP in China can reach a scale of tens of millions, requiring short response time and massive request loads for any data analytics platform. Our distributed scheduling, parallel-computing architecture can compress call links to ensure speed and performance, handle 8,000 requests per second, and process up to 340 million requests from FSP clients on a daily basis.

Case study for post-lending monitoring

FSP Client 2 is a major fintech platform in China. To address Client 2's concerns about overdue losses as a result of possible deterioration of customer credit quality, we helped them develop a set of post-lending monitoring solutions, consisting of various rule sets for post-lending risk assessment and behaviour scoring. These solutions were integrated with the client's own risk scoring system, which not only enabled FSP Client 2 to timely monitor the risk profile of its credit portfolio and take pre-emptive measures, such as initiating early collection process, but also allowed FSP Client 2 to dynamically adjust its marketing and operating strategies based on marketing scores and take corresponding measures, such as increasing credit limit, to enhance user stickiness.

Non-performing loan management

We offer tools to enhance FSPs' NPL management process, which includes collection scores and an AI-enabled smart servicing voicebot. These tools and products allow FSPs to improve asset recovery rate, enhance operational efficiency and prevent non-compliance risks due to human misbehaviours.

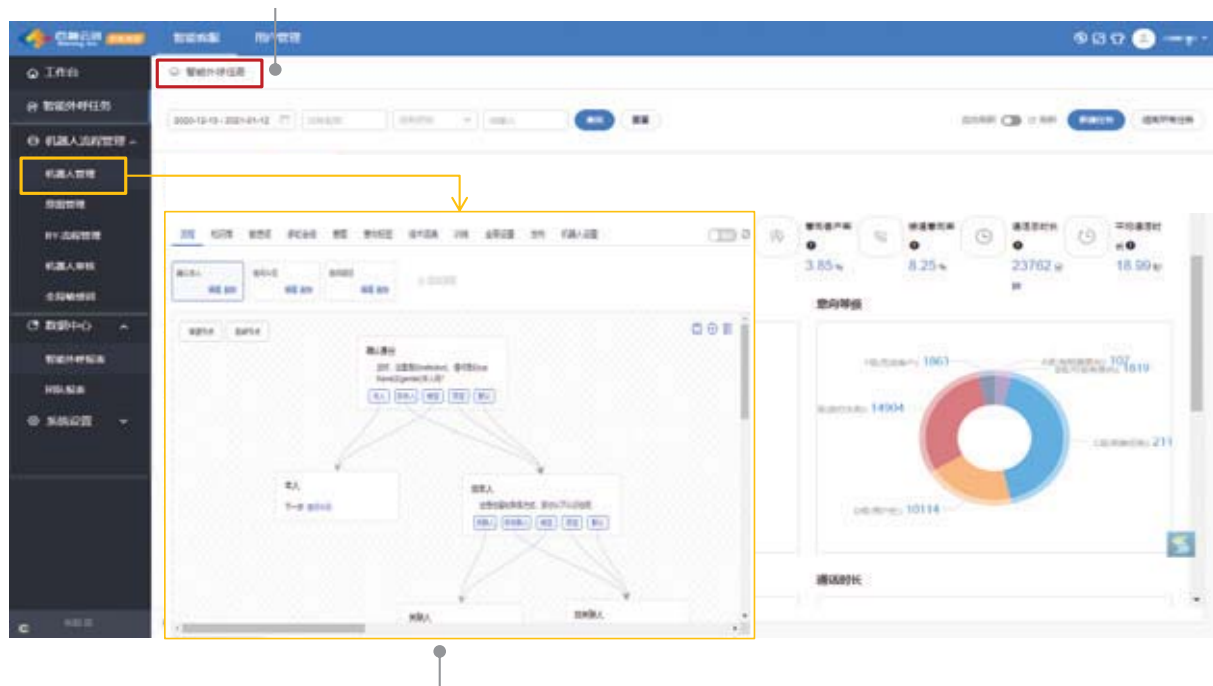
Our collection scores are formed by integrating the case situation from the FSP, our data insights and analytical capabilities, and referring to anti-fraud and risk assessment products. The collection scores predict a delinquent borrower's willingness and ability to pay, and therefore the probability of recovery on an NPL. The collection scores also allow FSPs assess the expected recovery value of the collection, enabling them to deploy their operation resources more efficiently. We charge FSPs based on the number of collection scores we generate in response to their requests.

Our smart servicing voicebot integrates complex algorithms and highly accurate voice recognition technology developed by our AI laboratory. The voicebot is highly configurable to suit different NPL management needs. It is locally deployed but continuously trained on a cloud-based platform through collection call recordings and the insights we generate from our risk assessment products. Our smart servicing voicebot facilitates non-performing loan management in the following ways:

- *Increase efficiency of collection calls with personalisation.* FSP clients can integrate their core backend systems with our smart servicing voicebot, such that the voicebot can identify the context of the conversation and select appropriate phrases and languages from backend database to automatically configure conversations.
- *Increase customer coverage with automation.* Our smart servicing voicebot integrates tasks of the existing loan collection process by creating custom call flows. With custom call flows, our smart servicing voicebot can be programmed to make the automated human-like calls and engage in contextual conversations with customers of our FSP clients. Queries that the voicebot is unable to understand are directed to a human agent for further handling.

A Screenshot of Smart Servicing Voicebot Dashboard

A visualized dashboard that displays key statistics of outbound call tasks performed.



A drag-and-play editor that allows users to easily create a voicebot with service process and related scripts according to specific needs in different business scenarios.

Using these tools, FSP clients can reduce operational costs and lower the risk of misbehaviours by human agents significantly. We charge FSPs an upfront set-up fee and subsequent service fees based on the number of automated calls made using the smart servicing voicebot.

Case study for non-performing loan management

FSP Client 3 is a national commercial bank using our non-performing loan management service. The client deployed our smart servicing voicebot for overdue debt collection for their credit card and online retail loan business, enabling it to make overdue debt collection calls in a more efficient manner compared with calls made by human agent. As a result, the smart servicing voicebot helped FSP Client 3 lower their staff costs for non-performing loan collection.

Localised solutions

In addition, for ease of use by those FSP clients without deep expertise in AI or machine learning, we can offer them localised solutions with pre-built model training tools and data analytics capabilities. These solutions can either be deployed on a standalone basis and trained by the FSP clients' own risk analysis team, or be easily connected with our decision engine SaaS platform, giving FSP clients more flexibility to adopt and deploy our services. FSPs can select products, individually or in combination, and use the products they select through configuration tools or with the help of our risk analysts team. We regularly communicate with FSP clients to understand their existing workflows, systems and needs, so that we can provide localised solutions with smart features, such as machine learning algorithms and modelling. Our localised solutions can be seamlessly integrated with FSP clients' existing systems, allowing FSPs to obtain functionality of a highly sophisticated risk management system tailored to their specific customer base and financial product offerings without heavy upfront investments.

Notably, as part of our software-as-a-service platform service offering, we offer AutoML, an intelligent machine learning model training platform to enable FSP clients without deep expertise in AI or machine learning to create and deploy sophisticated risk assessment models through a visualised dashboard by automating model training and parameter optimisation process. These localised solutions can also be connected with our decision engine SaaS platform, and provide access to a variety of cloud-based risk assessment products and services.

An illustrative interface of our decision engine SaaS platform

Through our decision engine SaaS platform, modelling analysts are provided with a simple user interface with various tools to create rule sets, adjust parameters, and fine-tune models according to their specific needs.



Case study for localised solutions

FSP Client 4 is a regional commercial bank. We helped FSP Client 4 establish a localised risk management platform to improve its independent decision-making and pre-lending risk control capabilities. This localised risk control decision-making platform allows FSP Client 4 to screen customers before issuing a credit product. It can be conveniently adjusted to meet the specific risk management needs through arrangement of core modules. More importantly, with localised solutions, FSP Client 4 gains access to our database and modular cloud services, enabling expedient implementation of data-driven credit evaluation.

Insurance risk management

We provide life and auto insurance risk management services to insurance companies. Our life insurance risk management products include a series of identity verification, anti-fraud screening and risk scoring to help life insurance providers perform data-driven risk-based underwriting and claim handling processes, improving efficiency and reducing losses due to fraud. We also developed auto insurance risk scoring products using our proprietary decision engines. The system combines claims history, complex relationship mapping, and powerful deep learning analytics tools to enable our clients to categorise policy applicants by risk levels. Auto insurance providers can adjust effective pricing for their products to better match applicant's risk levels, reducing overall losses.

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Case study for insurance risk management

FSP Client 5 is an insurance company. We provide insurance risk management services for their auto insurance underwriting and claim settlement process. In the underwriting process, based on our data insights and internal underwriting and claims data, we generate auto insurance risk scores for FSP Client 5 to evaluate the underwriting risk in real time. Combined with their actuarial model, our insurance risk management system enhances the flexibility and accuracy of the quotation provided to potential individual customers based on their risk profile. In the claim settlement process, our claim risk assessment identifies claims risk primarily based on relationship mapping and customer risk profiles by using learning algorithms. Our insurance risk management services help FSP Client 5 implement different claims review strategies for different risk levels, such as quick settlement, manual review, or request for additional information.

Certain key operating and financial data for our data analytics services

The table below sets forth, for our data analytics services, the revenue, number of paying FSP clients, revenue from Key FSP clients, number of Key FSP clients and revenue from recurring Key FSP clients during the Track Record Period.

	2017	2018	2019	Nine months ended September 30, 2020
<i>Data analytics services</i>				
Revenue (RMB'000)	314,524	406,343	522,654	356,239
Number of paying FSP clients	484	766	1,262	930
Average revenue of paying FSP clients (RMB in million)	0.65	0.53	0.41	0.38
Revenue from Key FSP clients* (RMB'000)	193,838	306,308	405,544	N/A
Number of Key FSP clients*	60	92	139	N/A
Average revenue per Key FSP Client (RMB in million)*	3.2	3.3	2.9	N/A
Percentage of revenue contribution by Key FSP clients*	61.6%	75.4%	77.6%	N/A
Revenue from recurring Key FSP clients* (RMB'000)	—	223,083	315,897	N/A

* A Key FSP client is defined as a licensed financial institution that contributes more than RMB300,000 of our revenue in a given calendar year.

	2017	2018	2019	Nine months ended September 30, 2020
<i>Data analytics services</i>				
Revenue (RMB'000)	314,524	406,343	522,654	356,239
Cost of sales (RMB'000)	101,755	92,791	82,123	70,506
Gross profit (RMB'000)	212,769	313,552	440,531	285,733
Gross profit margin	67.6%	77.2%	84.3%	80.2%

In addition to the metrics set forth above, we use Key FSP client retention rate and Key FSP client net dollar expansion rate to measure our ability to retain and grow the Key FSP clients for our data analytics services. Our data analytics services had a Key FSP client retention rate of 91% in 2019 and achieved a net dollar expansion rate of 103.1% in 2019 for the same group of Key FSP clients that used our data analytics services in 2018. In the context of our data analytics services, (i) Key FSP client retention rate is the percentage of the Key FSP clients that use our data analytics services in a given calendar year that our data analytics services continue to retain during the next twelve months, and (ii) Key FSP client net dollar expansion rate is a fraction, the denominator of which is the revenue contribution from Key FSP clients to our data analytics services in one given calendar year and the

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numerator of which is the contribution from the same group of Key FSP clients to our data analytics services in the following year, expressed as a percentage.

Furthermore, as Key FSP clients are defined as licensed financial institutions that each contribute more than RMB300,000 of our total revenue in a given calendar year, the metrics around Key FSP clients for the nine months ended September 30, 2020 for our data analytics services are not available. For illustration purposes only, (i) the number of FSP clients that each contributed more than RMB300,000 of our total revenue for the nine months ended September 30, 2020 that used our data analytics service during this period was 137; and (ii) the data analytics services revenue generated by such FSP clients in the nine months ended September 30, 2020 was approximately RMB311.6 million, representing 87.5% of the total data analytics services revenue for the nine months ended September 30, 2020.

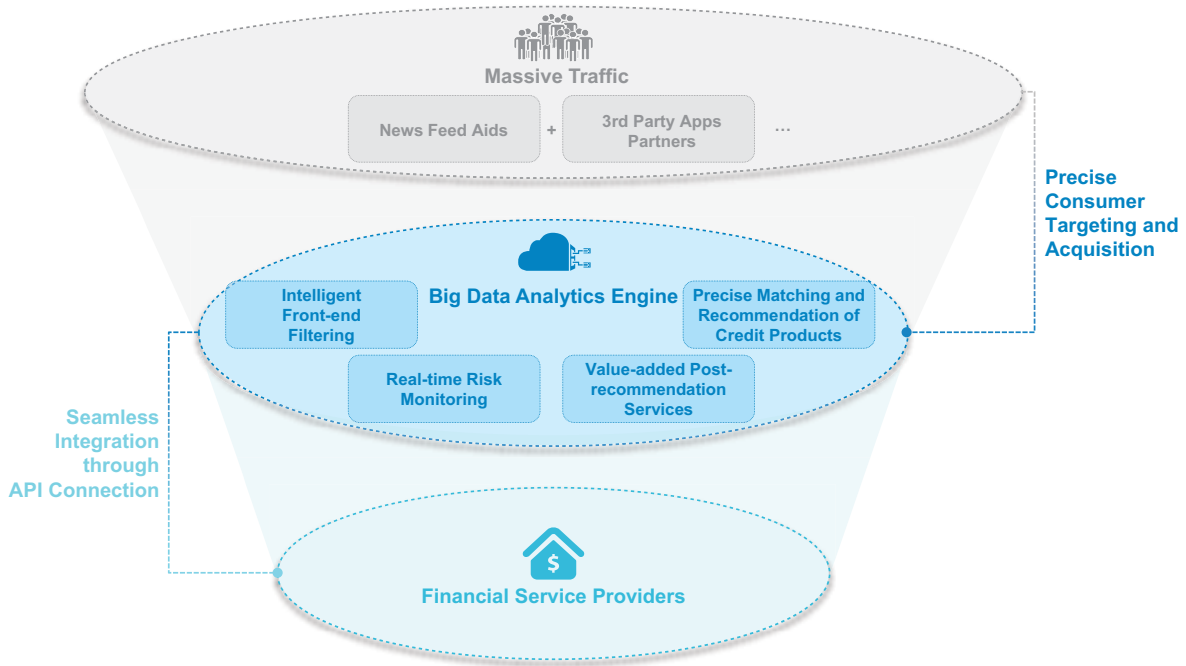
Further, for our data analytics services, we primarily charge our FSP clients in two methods—paid subscriptions and project-based products and services. See “—Pricing Policy” for a detailed description of each charging method.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Nine months ended September 30, 2020</u>
<i>Revenue from data analytics services (RMB'000)</i>				
Paid subscriptions:				
Usage-based subscriptions	307,629	384,161	469,556	279,050
Annual subscription packages	<u>3,537</u>	<u>9,408</u>	<u>25,518</u>	<u>51,761</u>
Total paid subscriptions	<u>311,166</u>	<u>393,569</u>	<u>495,074</u>	<u>330,811</u>
Project-based products and services	<u>3,358</u>	<u>12,774</u>	<u>27,580</u>	<u>25,428</u>
Total	<u><u>314,524</u></u>	<u><u>406,343</u></u>	<u><u>522,654</u></u>	<u><u>356,239</u></u>

Marketing and distribution services

We provide big data marketing and distribution services that enable our FSP clients to reach and serve their target customers more effectively through our precision marketing services and insurance distribution services.

Precision marketing services



As a key component of our holistic services to our FSP clients, our precision marketing services enable our FSP clients to reach and serve their target customers more effectively. Our precision marketing services are delivered through Banyan, our proprietary financial products recommendation platform, connects consumers with suitable financial products. All of the financial products on our Banyan platform are offered by FSPs, such as banks and consumer finance companies. We primarily display unsecured consumer loan products on Banyan. Consumer loan products recommended on our Banyan platform cover a wide variety of borrower needs, such as home decorations, weddings, travel and other personal consumptions, professional education expenses, as well as business needs of SMEs and their owners, varying by terms, targeted borrowers and approval conditions. The loan products on Banyan typically have 6, 9 or 12 monthly instalments. For the nine months ended September 30, 2020, the average loan balance approved by FSP clients whose system are connected with our system through an API connection was approximately RMB8,000, with approximately 65% of the loan products having 12 monthly instalments.

We believe that the most effective form of acquiring registered users on Banyan is to establish brand recognition, increase platform traffic, build strong user loyalty and increase user stickiness. Banyan acquires registered users through a variety of traffic channels. Specifically, our marketing campaigns are focused on news feed ads, app stores, social media, search engines, and finance-related websites/apps. We use mostly self-produced articles and videos as marketing materials to attract potential borrowers and encourage them to become registered users of our platform. For example, we place pay-per-registration performance ads on news feed based on the needs of financial institutions. We regularly publish articles or videos on financial literacy including fraud avoidance. We distribute content through our WeChat official account to enhance our brand awareness and to generate additional traffic to our platform. Taking advertising feed as an example, Banyan employs user-labels, risk assessment scores and user behavioural data within the Banyan app to holistically profile target user. These mechanisms allow Banyan to classify different user groups, selectively distribute marketing feeds based on user profile, and continuously adjust the distribution model of advertising feeds based on user acquisition results.

Banyan analyses in real time the quality of users with specific tags from third-party traffic platforms. This ensures that users reached by the traffic meet the specific marketing score range and fraudulent users with low scores can be excluded. Specifically, Banyan utilises fraud list and relationship mapping algorithms to analyse user information from third-party traffic platforms and determine in real time the likelihood of fraud. When a registered user logs onto Banyan through the mobile Banyan app, such user's information is instantly screened for potential fraud indicators. Through fraud screening, analysis of user-submitted product application information, risk pre-assessment and user preference modelling of financial institutions, the user is finally matched with the suitable financial products through the Banyan app. Financial products recommended on the platform are provided by our FSP clients. We do not extend credit or assume any credit risk for any financial product recommended on Banyan.

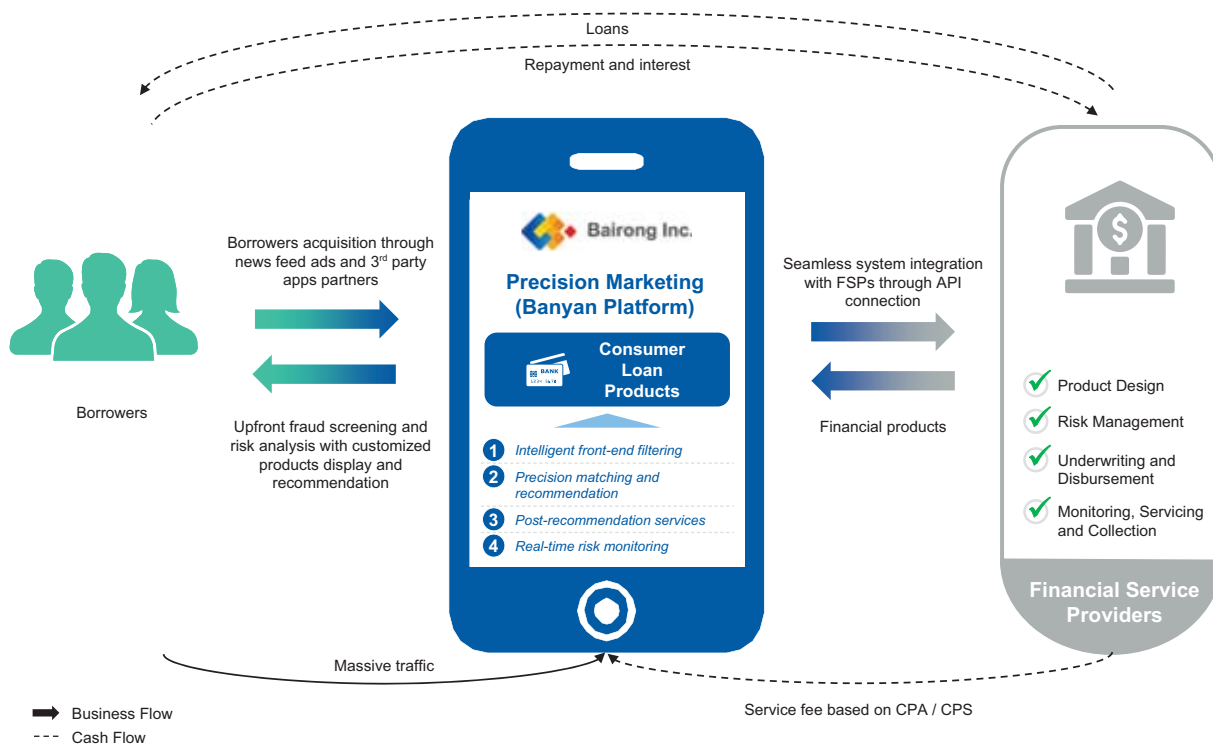
Screenshots for Banyan mobile app



For a financial product to be launched on Banyan, the FSP needs to provide us with detailed information of the product, including interest rate, terms and conditions, loan tenor and loan amount, among others. We then thoroughly screen the financial products based on the FSP's product suitability, creditworthiness, customer service quality, the terms and conditions of the financial products and other factors. We also examine the FSP clients' business licenses and their reputation in the industry and make inquiries about the market acceptance of their financial products. As a part of our internal control process, we conduct our own due diligence on FSPs and maintain a whitelist of FSPs to whom we provide precision marketing services.

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The following diagram illustrates the transaction flow of our precision marketing services.



At the core of Banyan is the data analytics platform that incorporates various data insights obtained from our services, such as consumers’ demographic, consumption habits and preferences, financial status, and behavioural patterns. These insights are used to generate a financial product recommendation that both matches a consumer’s financial needs and risk appetite and fits the FSP’s specific criteria. These insights are also used by the FSPs to facilitate their credit decisions, develop cross-selling offers to their existing customers, or monitor and manage risk in their existing consumer portfolios.

An FSP’s own risk management system could be connected with our system through an API connection, which allows an individual customer to stay on Banyan for the entire service cycle, including registration, application, approval and repayment. In addition to an API connection, an FSP client may also link its own system to Banyan through other channels, such as direct link to website or embedded H5 web-page redirection. The deeper integration the FSPs’ own system has with Banyan, the more precise and timely feedback Banyan is able to deliver to the FSP client, allowing our Banyan to adjust risk filtering automatically and identify more users that fit the FSP’s requirements while reducing the FSP’s user acquisition costs. We earn services fees from the FSPs for our precision marketing services and do not extend credit or assume any credit risk for any financial product recommended through Banyan. See “—Our Pricing Policy—Pricing policy and revenue model for precision marketing services” for a detailed description. We believe our precision marketing services lower user acquisition cost and improve profitability of FSPs. The following characteristics of our precision marketing services provide us with a competitive advantage over our competitors.

Intelligent front-end filtering

Front-end filtering analyses customer profiles before any financial product recommendation and generates immediate actions which are critical to stop fraud and abuse. We conduct front-end anti-

fraud and high risk assessment on all consumer profiles in our database on a daily basis. In addition, when a registered user logs onto Banyan, our system searches our database, returns information about such individual and analyses the likelihood of fraud or default risk this customer account may be experiencing. High risk individuals will be blocked from any financial products recommendation.

Precise matching and recommendation

Leveraging our comprehensive consumer credit profiles from disparate data sources and our capabilities to interrelate relevant data across our datasets, we generate a financial product recommendation that both matches a consumer's financial needs and risk appetite and fits the FSP's specific criteria. We have numerous tools, such as predictive modelling and scoring, customer segmentation, benchmarking, forecasting, and campaign optimization, all of which caters to a specific FSP's requirements.

We offer different matching services depending on the complexity and sophistication of the embedded matching algorithms. As FSPs move from using basic matching to more customised matching, we incorporate more complex anti-fraud screening and risk scores to increase the level of precision in matching. The highest level of precision matching can be achieved by customised filtering, where an FSP and our analyst team work together to build collaborative models with algorithms, risk scoring and rule-sets configurations tailored to the specific risk assessment needs of the FSP's product features and its customer base. With the matching services, we can help our FSP clients improve the credit quality of their customers.

Real-time risk monitoring

To allow FSPs to drive better credit decisions for financial product applications, we simulate the risk control criteria of the specific FSPs and apply their customer-specific criteria to facilitate real-time automated decisions at the time of customer interaction. This enables FSPs to easily integrate our insights into their own models, formulas or underwriting criteria to make credit decisions.

Value-added post-recommendation services

Leveraging the seamless API connection with our FSP clients' own platforms, we can also help lending institutions manage their existing customer portfolio. For example, we provide triggering event alert services which are recommendations of potential credit limit increase for a consumer profile with good credit data or alerts to a consumer profile with a high probability of fraud or default. These value-added services enhance our FSP clients' risk management ability and help to generate more revenue for our precision marketing services.

Impact of regulations on retail credit facilitation industry on our business

Since 2019, PRC financial regulatory authorities have been strengthening the regulation of the retail credit facilitation industry and guiding retail credit facilitation companies to exit the market in an orderly manner. For example, the Circular on Strengthening the Development of the Credit Investigation System for the P2P Online Lending Sector (關於加強P2P網貸領域徵信體系建設的通知) issued in September 2019 and the Guiding Opinions on the Pilot Program of Transforming P2P Lending Information Intermediaries into Micro-lending Companies (關於網絡借貸信息中介機構轉型為小額貸款公司試點的指導意見) issued in November 2019 have caused adjustments to business strategy and compliance requirements for retail credit facilitation companies. See "Regulations—Regulations on Internet Financial Services" for a detailed description of these regulations.

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For the nine months ended September 30, 2020, our revenue from precision marketing services decreased by 45.1% to RMB169.7 million, compared to RMB309.2 million for the nine months ended September 30, 2019, primarily due to (i) the negative impact of the COVID-19 outbreak on the demand for precision marketing services, evident from a 40% year-on-year decrease of the marketing expenditure of non-bank financial institutions, according to Frost & Sullivan, and (ii) the changing government regulations on retail credit facilitation companies as described as above that caused some of our FSP clients to adjust their business strategy on personal loans. We have been closely monitoring and evaluating the regulatory development. We believe that resilience exists in our precision marketing services. In response to the regulatory development as described as above, we have adopted and plan to continue to adopt several measures. First, our precision marketing services currently do not have any FSP clients that are online peer-to-peer lending platforms, which were most impacted by these government regulations. Accordingly, we are of the view that these evolving government regulations targeting peer-to-peer lending platforms would not impact the growth of our precision marketing services going forward. Second, all the products on Banyan are in compliance with the existing applicable laws and regulations. Third, we plan to broaden and diversify the products recommended on Banyan, and we will also explore more cross-selling opportunities for our precision marketing services by leveraging our success in data analytics services. Fourth, we will continue to improve efficiency and precision in user acquisition and accuracy in matching and recommendation and gain reputation among our existing FSP clients. Fifth, we will further strengthen the depth of its cooperation with traffic platforms. Sixth, we plan to work together with FSP clients on Banyan, to build a deeper system integration through API connection, which allows us to deliver more precise and timely feedback to our FSP clients and to promote and explore new projects on a pilot basis.

Certain key operating and financial data for our precision marketing services

The table below sets forth, for our precision marketing services, the revenue, number of paying FSP clients, revenue from Key FSP clients, number of Key FSP clients and revenue from recurring Key FSP clients during the Track Record Period.

	2017	2018	2019	Nine months ended September 30, 2020
<i>Precision marketing services</i>				
Revenue (RMB'000)	17,890	271,113	404,786	169,678
Number of paying FSP clients	23	443	219	109
Average revenue of paying FSP clients (RMB in million)	0.78	0.61	1.8	1.6
Revenue from Key FSP clients* (RMB'000)	2,346	83,162	186,423	N/A
Number of Key FSP clients*	4	24	32	N/A
Average revenue per Key FSP Client (RMB in million)*	0.59	3.5	5.8	N/A
Percentage of revenue contribution by Key FSP clients*	13.0%	30.7%	46.1%	N/A
Revenue from recurring Key FSP clients* (RMB'000)	—	6,916	81,908	N/A

* A Key FSP client is defined as a licensed financial institution that contributes more than RMB300,000 of our revenue in a given calendar year.

	2017	2018	2019	Nine months ended September 30, 2020
<i>Precision marketing services</i>				
Revenue (RMB'000)	17,890	271,113	404,786	169,678
Cost of sales (RMB'000)	4,735	38,304	26,837	18,411
Gross profit (RMB'000)	13,155	232,809	377,949	151,267
Gross profit margin	73.5%	85.9%	93.4%	89.1%

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In addition to the metrics set forth above, we use Key FSP client retention rate and Key FSP client net dollar expansion rate to measure our ability to retain and grow the Key FSP clients for our precision marketing services. Our precision marketing services had a Key FSP client retention rate of 63% in 2019 and achieved a net dollar expansion rate of 98.5% in 2019 for the same group of Key FSP clients that used our precision marketing services in 2018. In the context of our precision marketing services, (i) Key FSP client retention rate is the percentage of the Key FSP clients that use our precision marketing services in a given calendar year that our precision marketing services continue to retain during the next twelve months, and (ii) Key FSP client net dollar expansion rate is a fraction, the denominator of which is the revenue contribution from Key FSP clients to our precision marketing services in one given calendar year and the numerator of which is the contribution from the same group of Key FSP clients to our precision marketing services in the following year, expressed as a percentage.

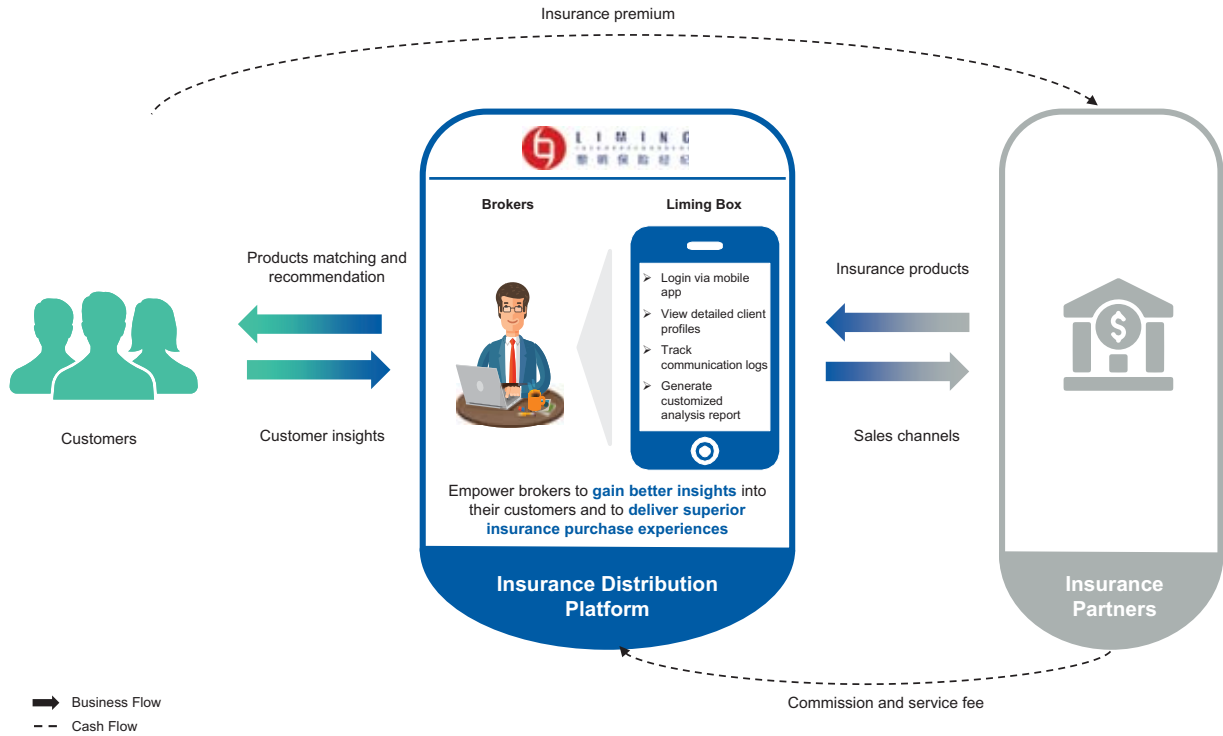
Furthermore, as Key FSP clients are defined as licensed financial institutions that each contribute more than RMB300,000 of our total revenue in a given calendar year, the metrics around Key FSP clients for the nine months ended September 30, 2020 for our precision marketing services are not available. For illustration purposes only, (i) the number of FSP clients that each contributed more than RMB300,000 of our total revenue for the nine months ended September 30, 2020 that used our precision marketing services during this period was 27; and (ii) the precision marketing services revenue generated by such FSP clients in the nine months ended September 30, 2020 was approximately RMB117.9 million, representing 69.5% of the total precision marketing services revenue for the nine months ended September 30, 2020.

In addition, for those FSP clients that connect their systems with our own system through an API connection to enable us to have first-hand information on the volume of the approved financial products, the total principal amount of the approved financial products on Banyan offered by such FSP clients was RMB6.3 billion in 2019 and RMB3.3 billion for the nine months ended September 30, 2020.

Insurance distribution services

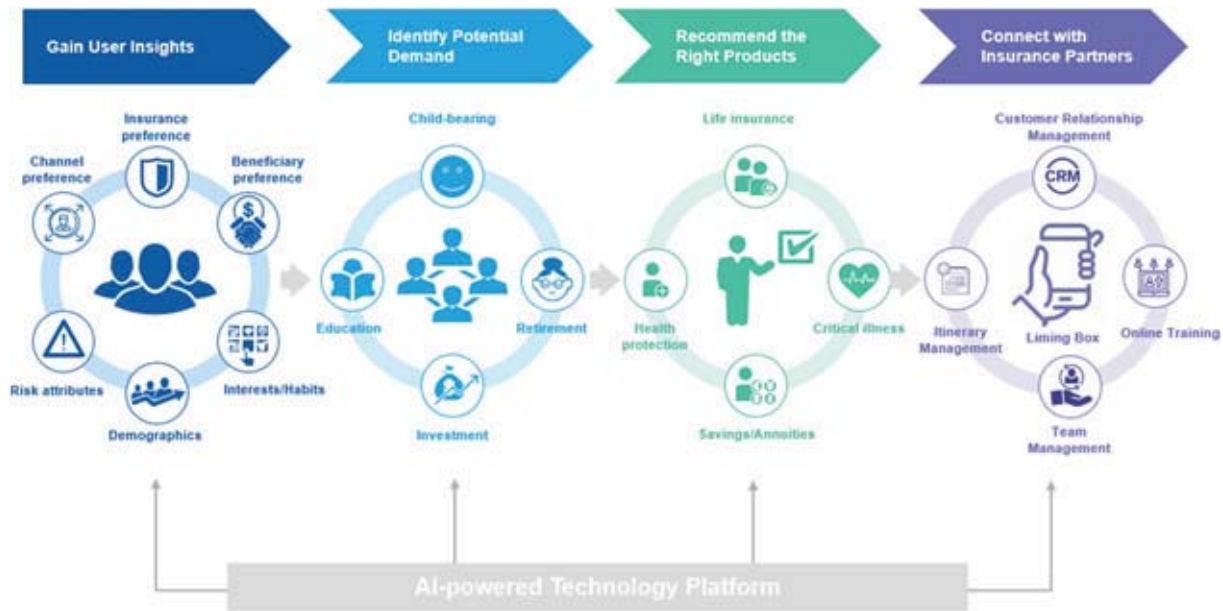
Acquiring a comprehensive understanding of customers' preference for insurance products based on behaviours, habits and needs from various sources is a critical task for insurance brokers in order for them to offer the right products to the right customers. Therefore, gaining customer insights with big data analytics not only provides predictions about a customer's insurance product preference, it can also help insurance brokers to engage customers in the right way and develop trusted relationships with their prospective customers.

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Liming technology platform

We provide innovative integrated insurance distribution services through Liming. Our vision is to use our AI-powered big data analytical capabilities to precisely match consumer needs with the best available products. By leveraging analytics of massive data insights and our behaviour and utilising our innovative technology platform, we are able to empower our brokers with better insights into their prospective customers, enabling them to deliver to consumers a superior insurance purchase experience. In addition, facilitating consumer's entire insurance purchase transaction and related policy servicing activities enables us to gain additional insights into the consumer's protection gap status and financial needs, which, in turn, expands our database coverage and provides more opportunities to enhance our data analytics capabilities. We distinguish ourselves with integrated data analytics capabilities to accurately portray customers' sentiments and preferences for insurance products, thereby improving broker efficiency. The diagram below illustrates how our big data analytics and AI capabilities support our Liming business. The following diagram illustrates the transaction flow of our insurance distribution services.



At the core of Liming’s one-stop insurance distribution service is our mobile app Liming Box, a mobile based data-driven customer relationship management platform. Liming Box utilises technologies including big data and AI to cover the full life cycle of an insurance policy, from risk identification, tracking and adjustment to claim processing. By connecting insurance products and our database, it allows our insurance brokers to gain accurate and multi-faceted consumer insights and efficiently retrieve information of suitable insurance products.

Liming Box is a client relationship management tool for our insurance brokers only. The information and data of our prospective customers and existing customers are stored in our database through Liming Box. Liming Box provides our insurance brokers with various digitalised tools to improve their customer acquisition capabilities and optimise their customer relationship management. The key functions and features of Liming Box include:

- *Prospective customer profiling and insurance product recommendation.* Connected to our database and supported by our data analytics capabilities, Liming Box is an innovative digital, user-friendly tool to empower our insurance brokers with better insights into their prospective customers, enabling our insurance brokers to efficiently retrieve information of suitable insurance products and deliver a superior insurance purchase experience to customers. After reaching out to their prospective customers, our insurance brokers log the related customer information and preference into Liming Box, which is connected to our database. Based on the insights generated about a prospective customer, such as insurance preference, beneficiary preference, interest and habits, demographics and risk attributes, Liming Box presents our insurance brokers with a list of the potential insurance products that might be suitable for the prospective customer. Liming Box, through our database and our data analytics capabilities, enhances our insurance brokers’ ability to more accurately predict a prospective customer’s insurance need and enables them to make more informed decisions when generating leads.
- *Client relationship management.* Liming Box is capable of performing dynamic risk management through risk tracking and evaluation of a customer’s insurance protection needs. The client behaviour tracking system embedded in Liming Box tracks correspondence between our insurance brokers and the customers and evaluates customers’ insurance needs and purchase preference. This helps our insurance brokers to (i) onboard prospective customers successfully, and (ii) identify customers that we determine to be likely to purchase additional products, thereby

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improving the likelihood that a customer retains his or her policy and identifying additional cross-sell opportunities.

- *Insurance policy management.* Liming Box manages and streamlines the entire insurance purchase process, covering the full life cycle of an insurance policy, from risk identification, tracking and adjustment to claim processing. Our insurance brokers can perform all policy management functions seamlessly from our Liming Box, such as coverage adjustments, obtaining proof of insurance, processing a claim and tracking processing status.
- *Training and development.* Liming Box provides a one-stop management tool for the training of our insurance brokers. It is supported by our AI training technologies, as well as intelligent marketing tools. Through this tool, we provide marketing training and technological support to our insurance brokers, including product and technical training, sales and marketing techniques training, information support and technology support. We believe that, by adopting this tool, we can increase the productivity of our insurance brokers and improve the effectiveness of sales and marketing, thus reducing management cost and improving efficiency.

Similar to Banyan, Liming Box is connected to our underlying database and technology infrastructure and platform, and supported by our data analytics capabilities.

The following screenshots illustrate the user interface and certain features of Liming Box.



Login easily via mobile app

View detailed client profiles

Track communication logs

Generate customised analysis report

Our insurance brokers team

We are selective about the brokers we engage. Our insurance brokers are obligated to maintain confidentiality over any insights we provide to them about potential customers. All of our insurance distribution services are executed through our self-developed Liming Box app.

We differentiate our brokers team from that of other insurance companies and intermediaries by excelling in both broker digital management strategy, our broker organisation structure, and our brokers' high productivity. First, through various functions such as broker online training system, customer relationship management platform, and customised insurance product recommendation based on data-driven user value analysis, our mobile-first platform is aimed to improve the efficiency and productivity of brokers. At the same time, Liming Box app analyses data accumulated in transactions and tracks the behaviour of brokers and the labels of consumers, which improves the distribution

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conversion rate of the insurance sales. Second, we have a flat broker organisation structure with only two layers, compared with the multiple-layer organisation structure that is adopted by most of the insurance companies and insurance intermediaries in China. In such a structure, we create a de-centralised approach to marketing by enlarging the span of control of each of our experienced brokers. We believe such structure enables us to better motivate our brokers, achieve higher commissions, lower operating costs and increase communication and operational efficiency.

As of December 31, 2017, 2018, 2019 and 2020, we had approximately 2,087, 3,572, 4,425 and 5,016 insurance brokers with extensive experience in the insurance industry. Our insurance brokers receive commission-based compensation and are therefore not included in our employee counts.

Insurance products recommended by brokers

Insurance products underwritten through our platform primarily consist of life insurance products and property and casualty insurance products. In-depth understanding of consumers' need and knowledge in various insurance products give us data-driven advantages to negotiating cooperation terms with insurance companies. We do not take any insurance underwriting risk in the operation of our business. In the meantime, our insurance distribution services enable us to acquire and accumulate data insights from each transaction we proceed. In return, insights obtained from insurance distribution services can help us to reinforce our strength in data analytics services.

For each insurance product underwritten through our platform, we earn commissions and service fees as a percentage of the insurance premium generated on such insurance product. The service fees and commissions are generally calculated as a percentage of the total insurance premium for the related insurance policy placed on behalf of customers. For life insurance, the majority of the commissions and service fees earned on a policy is generated during the first year of that policy. At the same time, as the annual renewal of the policy occurs, the insurance companies will continue to pay the renewal commissions and service fees. See “—Our Pricing Policy—Pricing policy and revenue model for insurance distribution services” for a detailed description.

Certain key operating and financial data for our insurance distribution services

The table below sets forth, for our insurance distribution services, the revenue, number of paying FSP clients, revenue from Key FSP clients, number of Key FSP clients and revenue from recurring Key FSP clients during the Track Record Period.

	2017	2018	2019	Nine months ended September 30, 2020
<i>Insurance distribution services</i>				
Revenue (RMB'000)	6,095**	164,002	332,236	237,466
Number of paying FSP clients	—	76	95	92
Average revenue of paying FSP clients (RMB in million)	—	2.2	3.5	2.6
Revenue from Key FSP clients* (RMB'000)	—	162,222	330,097	N/A
Number of Key FSP clients*	—	36	44	N/A
Average revenue per Key FSP Client (RMB in million)*	—	4.5	7.5	N/A
Percentage of revenue contribution by Key FSP clients*	—	98.9%	99.4%	N/A
Revenue from recurring Key FSP clients* (RMB'000)	—	—	277,885	N/A

* A Key FSP client is defined as a licensed financial institution that contributes more than RMB300,000 of our revenue in a given calendar year.

** In 2017, we generated revenue from insurance distribution services only in December following the acquisition of Liming.

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	2017	2018	2019	Nine months ended September 30, 2020
<i>Insurance distribution services</i>				
Revenue (RMB'000)	6,095	164,002	332,236	237,466
Cost of sales (RMB'000)	3,320	99,039	180,767	115,527
Gross profit (RMB'000)	2,775	64,963	151,469	121,939
Gross profit margin	45.5%	39.6%	45.6%	51.4%

In addition to the metrics set forth above, we use Key FSP client retention rate and Key FSP client net dollar expansion rate to measure our ability to retain and grow the Key FSP clients for our insurance distribution services. Our insurance distribution services had a Key FSP client retention rate of 97% in 2019 and achieved a net dollar expansion rate of 171% in 2019 for the same group of Key FSP clients that used our insurance distribution services in 2018. In the context of our insurance distribution services, (i) Key FSP client retention rate is the percentage of the Key FSP clients that use our insurance distribution services in a given calendar year that our insurance distribution services continue to retain during the next twelve months, and (ii) Key FSP client net dollar expansion rate is a fraction, the denominator of which is the revenue contribution from Key FSP clients to our insurance distribution services in one given calendar year and the numerator of which is the contribution from the same group of Key FSP clients to our insurance distribution services in the following year, expressed as a percentage.

Furthermore, as Key FSP clients are defined as licensed financial institutions that each contribute more than RMB300,000 of our total revenue in a given calendar year, the metrics around Key FSP clients for the nine months ended September 30, 2020 for our insurance distribution services are not available. For illustration purposes only, (i) the number of FSP clients that each contributed more than RMB300,000 of our total revenue for the nine months ended September 30, 2020 that used our insurance distribution services in was 43; and (ii) the insurance distribution services revenue generated by such FSP clients in the nine months ended September 30, 2020 was approximately RMB233.8 million, representing 98.4% of the total insurance distribution services revenue for the nine months ended September 30, 2020.

For the nine months ended September 30, 2020, we generated a revenue of RMB167.2 million from life and health insurance products and RMB70.3 million from property and casualty and group insurance products, respectively.

In 2018, 2019 and for the nine months ended September 30, 2020, the total premium collected on the insurance products distributed through Liming was RMB347.7 million, RMB949.2 million and RMB801.5 million, respectively, of which the premium collected on the life and health insurance products was RMB290.2 million, RMB525.7 million and RMB474.8 million, respectively. Revenue from distributing life and health insurance products accounted for a majority of our insurance distribution services revenue during the Track Record Period.

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For each insurance policy we distribute through our platform, we charge the insurance company a first-year commission fee ranging from 3% to 120% of the first-year premium, based on the type of the insurance, the specific product, and our relationship with each insurance company. Below table shows the commission fee ranges we charge for different types of insurance products:

	Type of products	Year 1	Year 2	Year 3	Year 4	Year 5
Life and health insurance products	regular premium	15.7%-120.0%	1.3%-39.0%	1.3%-19.0%	1.0%-13.0%	1.5%-8.0%
	single premium	3.0%-57.0%	—	—	—	—
Property & casualty and group insurance products		4.0%-65.0%	—	—	—	—

Our Pricing Policy

Pricing policy and revenue model for data analytics services

In terms of fee model, paid subscription by an FSP client in the context of our data analytics services means (i) a subscription based on usage, or (ii) an annual subscription that offers a standardised package with a pre-determined number or unlimited number of requests such FSP client may use during the term of the related service agreement.

- For usage-based subscriptions, we charge our FSP clients based on the volume of requests they transmit to us for analysis and the types of modules to which they subscribe. We have a stand-ready obligation to perform during the contract period, and our obligation is to process an unknown quantity of transactions (e.g. data requests), as and when requested by our FSP clients over the contract period. The unit price for each transaction (or each request from our FSP clients) is stipulated in the contracts. There are multiple factors we consider when determining the unit price for each request, including (i) the number of requests the FSP client expects to send us; (ii) the number of service modules the FSP client expects to subscribe to; and (iii) the estimated spending budget of the FSP client. Typically, we make reconciliations with our FSP clients on the number of usages within each month and bill our FSP clients on a monthly basis. Revenue on these usage-based subscriptions with a defined price but an undefined quantity is recognised utilising the right to invoice expedient resulting in revenue being recognised on a monthly basis when the service is provided and we have the right to bill our FSP clients.
- We offer a small number of our Key FSP clients an annual subscription package under which an FSP client pays a preset fee for a pre-determined number or unlimited number of requests during the subscription period. Revenue from the subscription packages having a preset number of requests is recognised as the services are provided, using an effective request rate as the actual requests are delivered. Any remaining revenue related to unfulfilled units is not recognised until the end of the related contracts' subscription period. Revenue from the subscription packages having an unlimited volume is recognised ratably during the contract term.

In addition, a small part of our revenue comes from providing project-based products and services to meet the specific needs of our clients, such as localised solutions and joint modelling, for which we charge a pre-negotiated fee. We currently measure the stage of completion using output method by reference to the completion status reports acknowledged by our FSP clients. Revenue from the project-based products constitutes an insignificant portion of our total revenue throughout the Track Record Period, and therefore would not materially affect our profitability.

Pricing policy and revenue model for precision marketing services

We earn services fees from the FSPs for our precision marketing services and do not extend credit or assume any credit risk for any financial product recommended through Banyan. Service fees from the FSPs are primarily based on the number of successful referrals. The price for each recommendation charged to the FSPs is a fixed price or a fixed percentage of the amount of the financial products (e.g. loan volume facilitated) that the users apply for. Revenue is generally recognised when user submits an application for a financial product through Banyan or when the user's application is approved by the FSP. We normally bill our service fees with the FSPs on a monthly basis.

Pricing policy and revenue model for insurance distribution services

For each insurance product underwritten through our platform, we earn commissions and service fees from the insurance companies as a percentage of the insurance premium generated on such insurance product. The service fees and commissions are generally calculated as a percentage of the total insurance premium for the related insurance policy placed on behalf of customers. Insurance distribution services revenue is recognised when the signed insurance policy is in place and we have a present right to payment from the insurance companies. We normally bill our commissions with the insurance companies on a monthly basis. For life insurance, the majority of the commissions and service fees earned on a policy is generated during the first year of that policy. At the same time, as the annual renewal of the policy occurs, the insurance companies will continue to pay the renewal commissions and service fees. Such renewal typically lasts for up to five years.

Our Data Insights

We view our data labels and big data analytics capabilities as our most valuable assets.

We differentiate ourselves from other third-party data analytics platforms by excelling in each dimension of big data: volume, variety, velocity, and veracity.

Volume—As of the Latest Practicable Date, our database had over 1.8 petabytes of data and data labels and we were able to process approximately 2 terabytes of data and data labels on a daily basis. A terabyte is defined as 1,024 gigabytes, while a petabyte consists of 1,024 terabytes.

Variety—Our database encompasses two types of data, namely, personal information and data labels (i.e., non-personal information). Personal information is the type of data that can be used to identify an individual, such as ID number and phone number, and is the identifier with which an FSP client sends query request to us. The personal information transmitted by our FSP clients to us is encrypted, which is inherently irreversible. At the same time, our FSP clients are asked to adopt secure encryption algorithms when transmitting any data or data label to make requests to us. Therefore, we ensure all personal information is properly encrypted, and only serve as an identifier without the need to exchange any personal information in plain text. Data labels refer to information that, whether used alone or in combination with other information, cannot be identified to a particular individual, such as consumer spending preferences, social behaviour patterns, verification results, dimensional scores, general scores and customised scores. We also collaborate with third-party data partners to fulfil some of the risk evaluation needs of our FSP clients and maintain a strict vetting process before engaging third-party data partners to ensure the integrity and quality of our data labels. See “—Data Arrangements and Data Security” for a detailed description of our strict vetting process. We believe we are one of the few independent providers of scale in China to possess both nationwide consumer credit data labels and comprehensive, diverse data insights of consumer behaviours, each of which allows us to better assess risk, match financial products with the right audiences and address concerns for FSP clients.

Velocity—We access and process a large volume of data in real-time. We processed approximately 2.48 billion requests from FSPs in 2019 and approximately 3.14 billion requests for the nine months ended September 30, 2020. To increase the speed of data processing and ensure data timeliness, we routinely and frequently upgrade our technology and infrastructure used for data processing and data analytics.

Veracity—We use sophisticated algorithms to refine, standardise, encrypt and enhance underlying data and create proprietary databases. We also implement strict internal policies to ensure compliance with relevant laws and regulations with respect to data exchange, security and privacy protection.

Our centralised, cloud-based data processing platform

The foundation of our data processing platform is a series of databases centrally stored in our private cloud. Each database stores a specific category of data labels. Servers and other hardware that form the physical structure of our private cloud are organised as Hadoop clusters, with sophisticated self-developed cloud management software controlling their operations. The architecture of our Hadoop cluster and the structure and sizes of each individual database are holistically optimised to ensure best applicational performances in supporting large volumes of requests and analytical tasks across our data analytics services, precision marketing and insurance distribution services. We procure the servers and other necessary equipment required from reputable suppliers, based on arm's length negotiations and on market terms.

We have built our own private, cloud-based environments in order to have the control, security and isolation required for our business. We believe our own private clouds provide security, control and flexibility for our data analytics solutions and services and give us more control over access and usage of our applications. Our private cloud has strict authentication checks before data requests from FSPs or from our marketing and distribution platforms can be processed and relevant databases be accessed to fulfil such requests. In addition, our private cloud has dedicated anti-hacking servers and firewall hardware and software to repel hacking and other security breaching attempts. We have also built in necessary redundancies and segregation of roles and duties in our IT system operations and database administration teams to ensure only a very limited number of authorised IT technicians or database administrators can have access to specific sections of the underlying database to perform maintenance duties. There is also a general segregation of duties and strict access level controls between IT and database maintenance team and client-facing professionals (e.g., modellers, risk specialists, product development team, sales representatives, etc.) to further prevent potential data leakage.

Data labelling and processing

Our data labels are derived from the labelling process of detecting and tagging data. We have developed a proprietary labelling technology to identify data features of the underlying data such that the data labels are informative and independent to produce a quality algorithm. Our properly labelled dataset provides a ground truth that our machine learning technology uses to check its predictions for accuracy and to continue refining its algorithm. To minimise errors in data labelling, we take a human-in-the-loop (HITL) approach, maintaining human involvement in training and testing data models throughout their iterative growth. After obtaining a labelled dataset, our machine learning models can be applied to the data so that new unlabelled data can be presented to the model and a likely label can be guessed or predicted for that piece of unlabelled data.

The steps we take to process data are summarised below:

Storage—We systematically organise and store gathered unstructured data in our servers protected by firewalls. The architecture of our data platform supports storage of structured data, unstructured data and semi-structured data. In addition, this platform is able to realise data backup across multiple server clusters and allows unlimited expansion. Our data platform stores petabyte-level stock data using state-of-art storage methods (file-based storage, KV storage and JSON storage) and the data scale increases by terabyte-level on a daily basis.

Preparation—The quality of data gathered will impact heavily on data output and interpretation. Our data processing technologies ensure the unstructured data gathered are both defined and accurate, so that subsequent decisions based on the findings are valid.

Structuring—Analysing data that has not been carefully screened for problems can produce highly misleading results that are heavily dependent on the quality of data prepared. We convert raw unstructured data into a form suitable for further analysis and processing. This stage is about constructing a dataset from one or more data sources to be used for further exploration and processing.

Input and Encrypting—We code, encrypt and convert verified data into machine readable form so that the data can be processed through a computer. Our data processing technologies ensure that this time-consuming process is finished speedily and accurately. Based on computing engines such as Spark, Hive, Greenplum and Flink, it can perform over a large number of computing tasks per day.

Modelling and Output—Through our big data analytics engines, optimization engines and machine learning tools, we automate the process of finding patterns and generating key tags and portrait labels associated with each consumer profile. The data processed through the above steps is further used for information mining through a relational network constructed based on hundreds of millions of nodes, and utilised for the rule engine, model deployment platform and decision engine. Using API or visual interface, we provide customers with business decision-making suggestions, relevant labels and analysis results in various forms. For the development of rules and models, we apply advanced machine learning (which applies traditional logistic regression algorithms, decision tree algorithms, boosting algorithms and random forest algorithms) and deep learning (based on, among others, neural networks, convolutional neural networks, long and short-term memory) technology and follow standardised procedures to ensure performance. Specifically, our machine learning technology builds a model based on sample data, or “training data”, to make predictions or decisions without being explicitly programmed to do so. We use both advanced machine learning and deep learning to generate insights into consumer’s financial and behaviour patterns.

For our advanced machine learning technology, we primarily use two approaches:

- *Supervised learning*. Our system is presented with example inputs and their desired outputs, and the goal is to learn a general rule that maps inputs to outputs.
- *Reinforcement learning*. Our system interacts with a dynamic environment in which it must perform a certain goal (such as performing a credit assessment service for a FSP client). As it navigates its problem space, the program is provided feedback that’s analogous to rewards, which it tries to maximise.

For our deep learning technology, we primarily use our multi-layer neural networks, under which each layer learns to transform the vast amount of input data into a more clear, composite and easily understood format.

Our data processing platform can analyse and restructure both the financial and non-financial information in a dataset and in turn generate meaningful data analytical insights. We utilise AI technologies, including deep learning and distributed relationship mapping system, to intelligently and automatically find correlations, patterns and build predictive models by analysing both the financial and non-financial information in a dataset. We detect the relationships between the non-financial attributes of consumers, such as age, travel evaluation, relationship mapping and device usage, and the financial attributes of consumers, such as multiple application behaviour (多頭申請). We then calculate the correlation between such financial/non-financial attributes and such consumer's risk profile. For our precision marketing services or insurance distribution services, through machine learning algorithms, we further build an analytical model that predicts the probability of a consumer choosing a particular financial product. For example, based on deep learning of these financial and non-financial attributes, we have built a model to assess the probability of consumers who may have a strong need for financial products or insurance products in the future. Such correlations and patterns are not readily available without our efficient and effective data processing and analytics capabilities.

The insights generated and obtained through the provision of our services to our FSP clients can help further reinforce our capabilities in data analytics and empower our database. First, our services allow us to aggregate, accumulate and analyse a massive amount of data and data labels, enhancing our database. Second, using our services and solutions, our FSP clients benefit from the quality insights that we generate, which win us greater recognition and acceptance in the financial services industry. We therefore have attracted more FSPs to engage us and allow us to accumulate data. Third, as we process more data and accumulate more insights and knowledge, our technology infrastructure and data analytics capabilities, which are based on AI and machine learning, will be constantly self-reinforcing and become more intelligent over time.

Our Technology

Overview of our technology

At the earlier stage of our development, to lay a solid foundation of our technology infrastructure and capabilities, we focused our efforts on building our data intelligence infrastructure. We started by serving the credit assessment needs of national and regional banks and consumer finance companies, where a wide range of consumer data labels are concentrated. We invested heavily in developing our cloud-native IT system architecture and data management mechanism to enable efficient data processing and storage, refine our algorithms and explore the application of new models. Our technologies have been continuously improved and become more intelligent as we served more FSPs, leading to enhanced data processing capabilities with greater speed and accuracy. The insights and knowledge uncovered from the data accumulated by us can be further leveraged upon. Through these years of investment and development, we have built a solid technology foundation to capture growth opportunities. We then applied our core technologies to more monetisation models, including precision marketing services and insurance distribution services. Leveraging our technology infrastructure and technology capabilities, we have developed a suite of analytics-driven big data solutions to empower FSPs. This further enhances the rapid self-reinforcement of our technologies and allows us to deliver additional values to FSPs.

Our data labels, data processing analytics capabilities, and computing power are fundamental to our success and have helped us gain a competitive advantage over our competitors. Since our founding, we have accumulated a large and comprehensive repertoire of data labels, including financial and non-financial data labels of Chinese consumers. With our development of data storage and analytics technology, in particular, our proprietary Bairong distributed relationship mapping system, we are able

to address various complicated scenarios in providing services to market players in China's financial services industry. Application of our AI technology contributes to a remarkable improvement on our capabilities in product design, development, and marketing. We use our database, data analytics, and computing power to support the services we provide through our three platforms which, in turn, generate a large amount of transactional data, and this data ecosystem enables us to expand our database and improve our data processing, data analytics, and decision-making capabilities over the years. We control our technology and infrastructure, which allows us to prioritise any changes and control the roll-out of any upgrades or changes.

We believe that our technology is at the core of our innovative products and services and we have made significant investments in research and development to ensure our market leadership. We believe that our technology platform enables us to be quicker, more efficient, and more cost-effective across each step of our service chain, including receiving, consolidating and updating data, implementing analytics and decision-making capabilities, creating innovative services, and delivering those services to our clients. Our technology platform has significant scale and capacity and enables us to deliver high-quality services to our clients. Our technology infrastructure gives us the ability to organise and handle high volumes of disparate data, improve our delivery speeds, increase availability, and enhance our product development capabilities.

Our competitive advantages compared with non-independent financial big data analytics solution providers and credit bureaus

Compared with the services provided by non-independent financial big data analytics solution providers and credit bureaus, the independent, deep insights and knowledge generated by our data analytics capabilities are the core of our competitive advantage. Compared with non-independent financial big data analytics solution providers, our algorithm and results of analytics do not invite any subjective evaluation from our FSP clients or other parties, ensuring a valuable, independent service quality. Historically there was only a limited number of third-party big data analytics providers serving the financial services industry, some of which engaged in businesses competing against those of FSPs. This has historically driven our FSP clients and prospective clients to develop technologies internally. We are able to independently work with our FSP clients to allow them to focus on managing end-customer relationships while we support key underlying functions in real-time. In addition, being independent, we do not have conflict of interest with our FSP clients, which allows us to serve all financial institutions, resulting in faster accumulation of data insights.

Compared with credit bureaus, which have limited financial behaviour data, our proprietary datasets encompass a much wider variety of financial and non-financial data, covering different user scenarios. The data labels and data insights we derived from such datasets afford us more flexibility in our service offerings to tailor to the different needs of FSP clients. Moreover, guided by our knowledge and experience in the financial services industry, we utilise AI technologies to intelligently automate the process of finding correlations and patterns and building intelligent statistical learning models through processing the data upon authorisation. These AI technologies include distributed relationship mapping system, deep learning and other machine learning algorithms, and other data processing and statistical tools. In the process, we derive insights and knowledge, which are used for inferences and predictions. In addition, as our FSP clients use our data analytics-driven applications and solutions in their daily operations, insights and knowledge are continuously learnt and accumulated.

Our competitive advantages compared with alternative channel of purchasing financial products

Alternative channels of purchasing financial products (including insurance products) include offline channels through sales representatives or insurance agents or through offline banks, insurance

companies and other financial institutions. The alternative channels are generally not equipped with the ability to precisely match a customer's particular preference with a suitable financial product for the customer. Our core competency over these channels exists in our technological ability to obtain a comprehensive understanding of customers' preference based on our database and data analytics capabilities and offer the right products to the right customers. In addition, gaining customer insights with big data analytics not only provides predictions about a customer's product preference, but also helps FSPs or our insurance brokers to engage customers effectively and develop trusted relationships with their prospective customers.

Our AI-powered big data analytics capabilities

We use our AI-powered algorithms to construct big data analytics engines, enabling us to achieve data fusion across business scenarios upon our database and provide our FSP clients with highly efficient and intelligent data analytics services.

In addition to processing stationary data, our big data analytics engines can perform automatic real-time analytics through stream processing, which also enables the automated training and optimization of our model. We processed approximately 2.48 billion requests from FSPs in 2019 and approximately 3.14 billion requests for the nine months ended September 30, 2020, which, in turn, generate a large amount of data labels, enabling us to continuously expand our datasets and improve our data analytics capabilities. New data insight is instantly incorporated, which ensures our models are continuously updated in response to the ever-changing market and the evolving needs of our clients.

Our Bairong distributed relationship mapping system is the core technology underlying our big data analytics. With applications of distributed architecture, paths ranking algorithm, and probability map models, we are able to develop a model to assign a score to every portrait label, by which we can calculate the affinity score of surrounding portrait labels to find similarity. This self-developed model substantially improves the accuracy of our data analytics and precision marketing services. Our Bairong distributed relationship mapping system has now developed into a relationship library that can support tens of billions of nodes and thousands of edges implying relationship. Based on distributed and high-speed caching technology, it is able to support a 5 millisecond response rate for 99.9% of reliability, so as to meet the real-time requirements of relational request, mining and analysis. Based on the deep mining of relationship networks with billions of nodes, the data label products form a strong basis for financial institutions to identify risks of fraud.

Our AI-powered big data analytics do not require our clients to understand the specific process or build a team of data scientists. They are able to enjoy our intelligent data analytics services with very simple inputs of parameters. The combination of big data and AI brings our clients reliable insights on how to develop customised financial products, accurately recognise credit risks, and better forecast consumers' financial needs.

Our team of data scientists works continually to optimise our proprietary analytical models and improve our analytics capabilities. First, our data scientists input and index more accurate sample training data to train machine learning models more effectively. Second, we also analyse various features of sample data and adopt more suitable and complex modelling algorithms, such as deep learning. Third, by gaining access to more data, we can find more features that can be used to further improve the predictive capabilities of our big data analytics engines. Fourth, our data scientists, equipped with industry knowledge and insights, can refine and optimise the parameters of algorithms by taking into account industry-specific or event-specific factors.

The automated machine learning platform further improves model development and deployment efficiency. The various types of built-in machine learning algorithms and automatic hyper-parameters optimization functions help with achieving model performance comparable to that of the models created by expert analysts. With the standardisation and visualisation of the modelling process, the efficiency and the controllability of the modelling process have also been greatly improved. The one-click deployment function enables trained models to be quickly pushed to the model deployment and management platform and put into application, which greatly improves the conversion efficiency from data labels to business decisions.

We are continually pushing our technology boundaries. We are in the process of developing products and services based on natural language processing technology, which could create new business models through automatic speech recognition and natural language understanding. The smart servicing voicebot products developed based on these technologies have the advantages of low cost, intelligent human-computer interaction experience, zero emotional interference, and adaptability to high-intensity outbound calls. This voicebot has improved the efficiency of marketing, customer evaluation, debt collection and other scenarios for many customers.

Our technology infrastructure

We have built a petabyte-level cloud infrastructure. Its core computing technological features include the ability to effectively deploy requests across computing servers, great handling capacity based on horizontal scaling technology, ability to search through massive data through an optimised search engine, quick response time, reduced pressure on the database servers, and improved efficiency of the central processing unit. Our private cloud infrastructure is capable of processing hundreds of millions of requests on a 7/24 basis, with a response time below 50 milliseconds for most requests and an SLA of 99.99%.

We optimise and enhance our computing power on a regular basis in response to the enormous number of daily requests from our FSP clients and the corresponding complicated data calculation needs. We are able to respond to the rapid expansion of our database with installations of physical servers to conduct our daily real-time or offline operations. The computing power enabled by our cloud platform lays a solid foundation for the products and services we provide through our three platforms.

We currently lease and operate two data centres, which collectively host over 630 servers and are able to process 2TB volume of data on a daily basis. Our dual data centre system enables low latency and high throughput capabilities in the event of network failure and continuous high-load operation, ensuring a higher degree of data protection and service continuity. In addition to our two existing data centres, we plan to establish another back-up data centre to further strengthen backup and disaster recovery ability.

Our operations of the two data centres were in compliance with relevant PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date.

In addition, we maintain a framework for business continuity that includes written policies requiring each platform and operating unit to identify critical functions. Our platforms and operating units have processes in place that are designed to maintain such functions in case there is a disruptive event. We also have a specific disaster recovery plan that will take effect if critical infrastructure or systems fail or become disabled.

Data Arrangements and Data Security

Data Arrangements

We have access to: (i) encrypted personal information provided by our FSP clients in the form of inquiry keys in order for us to provide data analytics services to them; (ii) personal information from registered users on our financial product recommendation platform, Banyan, and customers of our insurance distribution platform, Liming; and (iii) data labels provided by our third-party data partners to support our fulfilment of some of the data analytics requests from our FSP clients. Our FSP clients or third-party data partners are connected to us through secure APIs. Our FSP clients or third party data partners cannot visit our database.

In addition, our private cloud has strict authentication protocol to ensure that we only execute tasks that are pre-programmed in the respective APIs. For example, when we receive a data analytics request from our FSP clients for a particular risk scoring product through APIs, our cloud, upon successful authentication, will automatically execute the tasks required and return the final risk scores requested, not the underlying data. When we send a data label request to our third-party data partners via corresponding APIs, the data labels sent to us are automatically checked and registered in our relevant database, with an automatic receipt notice returned to the third-party data partner for future reference. Pre-programmed API interfaces provide a fast and secure way for our FSPs and data partners to interact with us without data security risks.

Set forth below is a summary of the typical arrangements pursuant to which we are provided with access to the critical mass of data and data labels underlying our products and services.

- ***For encrypted personal information provided by our FSP clients.*** When subscribing to our data analytics services, our FSP clients will first establish a secure API connection. Through the API, our FSP clients will transmit to us pre-programmed protocols stipulating authentication keys (e.g., pre-authorized client IP access points), encrypted personal information in the form of inquiry keys (e.g., ID types used to identify personal information), encryption methods and specific data analytics products being subscribed to. When our FSP clients submit a request through their respective APIs, our cloud, after verifying the authentication keys, will execute the tasks stipulated in the API by (i) using the inquiry keys to extract all relevant underlying data relevant to the personal information being evaluated and the specific data analytics product (e.g. ID verification, risk scores, etc.) being requested; (ii) running the relevant models to complete the analysis and computation required; and (iii) returning to our FSP clients final data analytics results (e.g., verification results, scores, etc.) via secure APIs. The data analytics results we provide are in the form of data labels without sharing any personal information. The FSP clients are responsible for obtaining the relevant authorisations before allowing us to access the related encrypted personal information they transmit to us, and we will be entitled to compensation if the FSP clients fail to obtain proper and sufficient authorisations.

We are allowed to access, store, integrate, process and analyse the related encrypted personal information provided to us under that service agreement until the end of the storage term, which is typically five years. We will delete such personal information after the end of the end of the data analytic service to the related service agreements with our FSP clients. In addition, we store in our database and own the insights (in the form of data labels) we generate after processing and analysing the encrypted data provided to us by the FSP clients.

Since we do not obtain personal information directly from our FSP clients, our PRC Legal Adviser is of the view that in the event of breach of any laws and regulations regarding data privacy and protection by an FSP client, the risk of us being punished by the regulatory authority

due to their non-compliance is remote, and as a result such breach will not have a material adverse impact on our business.

- ***For personal information from registered users on Banyan and from end customers of Liming.*** On Banyan and Liming, we collect, store, process and analyse certain personal information of the registered users on Banyan and end customers of Liming, as applicable, upon their authorisations. When a user registers on Banyan or a prospective customer is approached by our brokers, we will obtain their prior consent to providing certain personal information such as name, gender, date of birth and telephone number. The user or customer also authorises us to collect, store, process and analyse certain behavioural data, such as consumer spending preferences and social behaviour patterns, for the purpose of improving our services. We are allowed to access, store, integrate, process and analyse in our database the related personal information provided by the registered users on Banyan and end customers of Liming, unless they stop being a registered user or end customer and ask us to delete from our database the personal information provided by them. In addition, we store in our database and own the data insights (in the form of data labels) we generate after processing and analysing the personal information provided to us by the registered users on Banyan and end customers of Liming.
- ***For data labels provided by our third-party data partners.*** At times, we need to extract relevant data labels from our third-party data partners in fulfilling the risk evaluation needs of our FSP clients. Such data labels will be applied in our fraud detection or risk assessment products. When we need a particular data label to complete our analysis in order to respond to our FSP's data analytics request, we send data label requests to the corresponding third-party data partners via APIs to obtain such label. The APIs are pre-programmed in a pre-determined structure and format using a pre-agreed encryption method. The data labels sent to us are automatically verified for structure and format and then registered in our relevant database in our private cloud to enable completion of the analysis. Automatic receipt notices are returned to the third-party data partners for future references. Our third-party data partners authorise us to access, integrate, process and analyse the designated data labels. In addition, after we process and analyse the data labels from third-party data partners, the insights generated from our analysis are saved in our private cloud before being provided to the FSPs. We either require our third party data partners to ensure proper and sufficient authorisations from their users and customers in collecting, using and providing us with data labels based on those individuals' data or require our data partners to guarantee that they are in compliance with laws and regulations in providing data services to us or do not infringe any other third party's legal rights. See “—Key Terms of Agreements with Key FSP Clients and Third-Party Data Partners” for a summary of the key terms of the data sharing agreements. In addition, we store in our database and own the insights (in the form of data labels) we generate after processing and analysing the data labels provided to us by our third-party data partners. Since we do not obtain personal information directly from our third-party data partners, our PRC Legal Adviser is of the view that in the event of breach of any laws and regulations regarding data privacy and protection by a third-party data partner, the risk of us being punished by the regulatory authority due to their non-compliance is remote, and as a result such breach will not have a material adverse impact on our business.

The data and data labels in our database are stored in our private cloud. We currently lease and operate two data centres where our servers are located. Our dual data centre-system enables low latency and high output capabilities in the event of network failure and continuous high-load operation, ensuring a higher degree of data protection and stable service output. In addition to our two existing data centres, we plan to establish another back-up data centre to further strengthen backup and disaster recovery ability.

Data Security

The security and protection of personal information in accordance with the PRC Cyber Security Law are one of our highest priorities. We have implemented comprehensive internal policies on protecting data security and have established a chief executive officer-led data security committee. We have achieved complete data desensitisation at the storage level and put in place a comprehensive employee confidentiality system, data usage approval procedures, and internal audit mechanism for data tracing to ensure security of our database. We have established an all-round information system in compliance with the highest level data security requirements. Our data protection and privacy policies are focused on ensuring that: (i) our collection of personal data is conducted in accordance with applicable laws and regulations and (ii) personal data we collect are reasonable for the purposes for which they are collected. We maintain strict control over access to personal data and strict assessment and approval procedures to prohibit invalid or illegitimate uses. We manage access to personal data based on strict necessity and maintain records of data access. Our policies require new products and services that involve access to or processing of personal data to be subject to assessment and approval procedures. We store personal data in accordance with applicable laws and regulations. We collect, process and analyse data generated from activity of our FSP clients, and use personal data for the stated purpose as authorised by our FSP clients, in connection with compliance and risk management and as otherwise required by applicable laws and regulations. We use various encryption technologies at software and hardware levels to protect the transmission and storage of personal data, and conduct periodic testing and assessment to determine the efficiency of our data processing and management technologies. We also use anti-malware, endpoint protection, network protection, security monitoring and application and platform security tools to protect data privacy. To minimise the risk of data loss or leakage, we maintain contingency, redundancy and conduct regular data backup and data recovery tests. To further strengthen the protection of our data, we leverage our technology infrastructure, cybersecurity expertise and our proprietary database technology to enhance the reliability, stability and security of our database. As the laws and regulations relating to data security evolve, we will adjust our internal policy and procedures with respect to data security protection to ensure compliance.

We have implemented comprehensive internal policies on protecting data security and have established a chief executive officer-led data security committee. Set forth below are the details of our data security policies.

- *Strict internal control over data access and usage.* We have adopted and implemented a robust internal control system focusing on data security and personal information protection. This includes our policies regarding data security, management of data security, and data classification and categorisation. Our internal control protocols cover the full lifecycle of data processing including data collection, data quality management, data encryption and transportation, data storage security, data backup and recovery, data processing and analytics, proper use of data, data destruction and disposition. We manage access to personal data based on strict necessity and maintain records of data access. We require all our employees to comply with our internal policies and protect privacy and personal information, and we strictly prohibit unauthorised or improper collection or use of such data or personal information.
- *Comprehensive internal policies with respect to data security.* Our policies require new products and services that involve access to or processing of personal data to be subject to assessment and approval procedures by our data security committee. Pursuant to requirements set forth under relevant PRC laws and regulations, including Cybersecurity Law and Personal Information Security Specification, we have formulated a comprehensive set of internal policies and protocols regulating data security management and implementation. At the company level, we have established policies such as Employee Handbook, Information Security Management Regulations,

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Management Measures of Organization and Personnel Regarding Information Security. At the department level, each department has formulated specific departmental rules and regulations based on its own operational needs, division of labour, business processes and management models. In particular, the departments with access to the data processing platform have put in place more strict requirements on the authorisation and operation of data processing.

- *Enforcement of data security policies.* To process data for authorised projects or requests from FSP clients, the related employee in charge of the project or request is required to submit an application for internal review and obtain a temporary access approval with a definite expiration date, normally by the end of the relevant project or request. Access to and operation of data will be logged and monitored and subject to review. Abnormal access and operation will trigger automatic warning or alert from the platform. Our information security department will investigate the event in a timely manner if the platform sends out any automatic warning or alert and evaluate the impacts. We take appropriate security measures against any abnormal or suspicious requests or behaviours if the automatic warning or alert signals any real problems. In addition, we require our employees to acknowledge and sign confidentiality agreements before they receive any data, and all data analysed for specific projects or requests are encrypted. We have implemented stringent data security monitoring and alert systems for sensitive data. We also strictly follow the terms of authorisation and the scope of usage set forth in the agreements with our customers when processing and analysing their data. We have the right to dismiss any employee if they illegally misuse or leak our data or cause any damage to us or our FSP clients or consumers and may also pursue further legal proceedings against them. We prohibit employees from storing any work-related documents, files or data on unauthorised servers or personal computers. We also regularly organise presentations and training sessions related to data security to strengthen employees' awareness of data security compliance.
- *Strict vetting process to ensure integrity and quality of data provided by third-party data partners.* We maintain a strict vetting process before engaging third-party data partners to ensure the integrity and quality of the data they provide to us. First, to ensure a seamless data integration, we typically source data from qualified data partners that have knowledge about our business and the industry we operate in. Second, we source data only from reputable data partners that have a commitment to providing high quality data labels, and have developed comprehensive vetting standards for data partner engagement. For example, one of our data partners is a subsidiary of a Shenzhen-listed company and a pioneer in China's payments and fintech industry. We believe the accuracy, quality and coverage of the data sourced from such partner has helped us enhance the quality of our database. We strictly prohibit data sourcing from unreliable data suppliers. Third, in choosing our external data partners, we apply a strict process to assess the reasonableness and legality in the data provider's acquisition of data labels. This assessment includes an evaluation of the purpose of the data sharing from the data partner, the legal basis for the data sharing from the data partner (such as the authorisation of end users), the sensitivity of the data to be sourced, the applicability of safeguards (such as data transfer agreements) and whether the data sharing would otherwise be in accordance with applicable laws and regulations. Fourth, to ensure data integrity, we either require our data partners to ensure proper and sufficient authorisations from their users and customers in collecting, using and providing us with data labels or require our data partners to guarantee that they are in compliance with laws and regulations in providing data services to us or do not infringe any other third party's legal rights. Fifth, we maintain our own data platform and database and do not have a shared pool of data with our data partners. We and our data partners have independent computing and analytical platforms, and data or data labels collected by us and our data partners are stored in the respective databases of us and our data partners.

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- *Requirements for FSP clients regarding data privacy.* We require all FSP clients to obtain proper customer consent before sending us any query request. We have the right to otherwise reject its query request and terminate the contract. We also require all FSP clients to ensure the validity of all materials provided to us, such as information relating to their business, products and user authorisation. In case of violation, we have the right to terminate their contract and pursue legal actions for breach of contract.
- *Data security architecture, including data centres and private clouds.* We have implemented advanced logging and monitoring, data encryption, regular security audits and other mechanisms to ensure proper recording of data operation and compliance with national data security standards. Our data are stored in the servers (physical and private cloud) we own. We currently lease and operate two data centres where our servers are located. Our dual data centre-system enables low latency and high output capabilities in the event of network failure and continuous high-load operation, ensuring a higher degree of data protection and stable service output. In addition to our two existing data centres, we plan to establish another back-up data centre to further strengthen backup and disaster recovery ability. We create a closed platform environment for data that is disconnected with external internet by using a firewall. We have built our own private, on-premises cloud-based environments that have the control, security and isolation required for our business. We believe our own private clouds provide security, control and flexibility for our data and solutions and services and give us more control over access and usage of our applications. We procure the servers and other necessary equipment required from reputable suppliers, based on arm's length negotiations and on market terms.
- *Certification and accreditation of our data security management.* Our architecture and platform have passed various Level 3 security certifications from Chaoyang Branch of Beijing Municipal Public Security Bureau. Pursuant to the Administrative Measures for the Graded Protection of Information Security (信息安全等級保護管理辦法) and the Guidelines for Grading of Classified Protection of Cyber Security (網絡安全等級保護定級指南), the operator of an information system shall determine the security protection grade of the information system, and report the grade to the relevant department for examination and approval. The grading of the classified protection of the information systems are determined based on two elements, namely what can be affected and how serious the consequences would be, if the information systems are damaged. In addition, our information security management system, quality management system and information technology service management system have been certified under the ISO standard. Specifically, we have passed ISO27001 (Information Security Management System Certification), ISO27017 (Cloud Service Information Security Management System Certification), ISO27018 (Personally Identifiable Information Security Certification), ISO9001 (Management System Certification), ISO20000 (Information Technology Service Management System Certification) and many other international security certifications.

In addition to safeguarding our internal data security, we also employ various methods and procedures to ensure that the data we source externally have been legally acquired and have been obtained with prior user consent. In choosing our external data partners, we apply a strict process to assess the reasonableness and legality in the data provider's acquisition of data labels. This assessment includes an evaluation of the purpose of the data sharing from the data partner, the legal basis for the data sharing from the data partner (such as the authorisation of the end users), the sensitivity of the data to be sourced, the applicability of safeguards (such as data transfer agreements) and whether the data sharing would otherwise be in accordance with applicable law and regulations. We maintain our own data platform and database and do not have a shared pool of data with our data partners. We and our data partners have independent computing and analytical capabilities, and data collected by us and our

data partners are stored in the respective databases of us and our data partners. We are subject to various laws and regulations relating to data protection and privacy, and the collection and use of personal and behavioural data in China and the other jurisdictions in which we operate.

Our data encryption measures

We use encryption technologies to protect the transmission and storage of personal data, and conduct periodic testing and assessment to determine the efficiency of our data processing and management technologies. Our encryption technologies enable us to detect, encrypt or remove personal identifiers, including name, telephone number, identity card number and any other information that can identify a consumer pursuant to the PRC Cybersecurity Law and other applicable PRC laws and regulations. In respect of the encryption technologies and method, we generate a code for each personal data label through irreversible encryption of the related identification information field, which will be used as the master index and does not contain any personally identifiable information itself. Encrypted data are indexed using the code instead of identifiable information. The code also allows us to compare and detect duplicated records of the same consumer and delete duplicated data. From a mathematical perspective, this personal information to code transformation cannot be decrypted or reversed. Thus, it is impossible to determine a consumer's identity through the encrypted data. In addition, the encryption process is purely automatic, as our algorithm model can accurately detect personal information to be encrypted into the code without human supervision, thereby protecting personal information from human access without compromising our ability to analyse the underlying data. Furthermore, the encryption works like a mathematical function where the same input will always generate the same output under the same algorithm. Using the same code generated separately in multiple transactions, we are able to match the multiple transaction records of a single consumer. The encryption is completed within our servers or private cloud under our full control to further ensure the protection of identities.

2021 Draft Measures for Credit Reporting Business

On January 11, 2021, the PBOC released the 2021 Draft Measures for Credit Reporting Business (Draft) (the “**2021 Draft**”) for public consultation, aiming at promoting the transparency of the credit reporting service, protecting the legal rights and interests of the information providers, and improving the complied usage of credit information among the information provider, credit reporting agency and information user. The 2021 Draft defines “credit information”, and provides rules on credit reporting business and credit reporting agencies from the perspective of how to collect, organize, store, process, provide, use and protect the credit information. See “Regulations—Regulations on Internet Financial Services” for a detailed description of the 2021 Draft. The 2021 Draft was released for public consultation only, and substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. We will closely monitor and assess the trajectory of the rule-making process.

Based on its plain meaning, the 2021 Draft governs credit reporting agencies and credit reporting services and activities. Based on its understanding and analysis of the 2021 Draft, as currently drafted, and the existing related administrative regulations governing credit reporting agencies, our PRC Legal Adviser is of the opinion that we are unlikely to be treated as a credit reporting agency and our businesses are unlikely to be treated as credit reporting services or activities. Accordingly, we are unlikely to be required to obtain a credit reporting license from the PBOC under the 2021 Draft, assuming it will be enacted in its current form. Set forth below is a detailed analysis from our PRC Legal Adviser. However, there is uncertainty as to the interpretation and implementation of the 2021

Draft by the relevant PRC regulatory authorities upon its effectiveness, and we cannot assure you that the relevant PRC regulatory authorities would reach the same conclusion as our PRC Legal Adviser.

Definition of personal credit reporting services and activities and personal credit information as contemplated by the 2021 Draft

Pursuant to the 2021 Draft and the existing PRC regulations on credit reporting agencies, such as the Regulation for the Administration of Credit Reporting Industry (《徵信業管理條例》), the Standards of User Management in Basic Financial Credit Information Database (《金融信用信息基礎數據庫用戶管理規範》) and the Information Security Standards for Credit Reporting Agencies (《徵信機構信息安全規範》), our PRC Legal Adviser is of the opinion that personal credit reporting services and activities refer to information services that involve the use and/or assessment of personal credit information, including information evaluating an individual's credit status.

In addition, our PRC Legal Adviser is of the opinion that personal credit information contemplated under the 2021 Draft is a subset of personal information. First, from the perspective of the legislative evolution of the Regulation for the Administration of Credit Reporting Industry and the 2021 Draft, personal credit information shall constitute personal information. Chapter 3 of the Regulation for the Administration of Credit Reporting Industry stipulates the objects of the activity scenarios of personal credit reporting business all constitute personal information. Besides, the Drafting Notes of the 2021 Draft explains that one of the drafting principles of the 2021 Draft is to “fully absorb the provisions relating to the protection of personal information in the PRC Civil Code, PRC Cyber Security Law, PRC Protection of Rights and Interests of Consumers Law (《消費者權益保護法》) and other effective PRC Laws.” As such, our PRC Legal Advisor is of the view that the 2021 Draft, which is based on the Regulation for the Administration of Credit Reporting Industry and having combined the legislation development of protecting personal information in recent years, further clarifies the scope of the “personal information” in the Regulation for the Administration of Credit Reporting Industry. Second, the relevant national standards and notices of regulatory authorities classify personal credit information (including personal financial information) as a subset of personal information. As stipulated by Article 1 of the Notice of the PBOC for Better Protection of Personal Financial Information by Banking Financial Institutions (《中國人民銀行關於銀行業金融機構做好個人金融信息保護工作的通知》), the personal financial information (including personal credit information) is a subset of personal information; Appendix A of the Information Security Technology—Personal Information Security Specification (《信息安全技術個人信息安全規範》) (GB/ T 35273—2020) (the “**Personal Information Security Specification (2020)**”) illustrates that the credit information is a subset of the personal information; the Payment Information Protection Technical Specification (Draft for Review) (《支付信息保護技術規範(送審稿)》) also stipulates that the personal credit information is a subset of personal financial information.

We will not be treated as a personal credit reporting agency or as engaging in personal credit information services

Our PRC Legal Adviser is of the opinion that, pursuant to the 2021 Draft and the existing related administrative regulations governing credit reporting agencies, we are unlikely to be treated as a credit reporting agency and our businesses are unlikely to be treated as credit reporting services or activities, for the following reasons:

A. Our data analytics services

The data used in our data analytics services mainly consist of (i) anonymized, encrypted, irreversible numerical inquiry keys (i.e., the encryption of the plain text of personal information of customers of

our FSP clients), which are sent by our FSP clients or already in our database and (ii) data labels (not personal information) in the form of numerical inquiry keys that cannot be identified to an individual, which are sent by our third-party partners or already in our database. See “Business—Data Arrangements and Data Security” for a detailed description of the data labels and encrypted information and the measures and protocols we use to ensure data security. Pursuant to the Personal Information Security Specification (2020) and the Draft Personal Data Protection Law (中華人民共和國個人信息保護法(草案)) (the “**Draft PDPL**”), anonymized information does not constitute personal information. Our PRC Legal Advisor is of the opinion that the data used in our data analytics services do not constitute personal information and therefore our data analytics services are unlikely to be treated as personal credit reporting services and activities under the 2021 Draft.

B. Our precision marketing services

Our precision marketing services collect, store, process and analyse certain personal information of the registered users on Banyan upon their authorisations. Based on its understanding of the 2021 Draft and the existing PRC laws and regulations, our PRC Legal Advisor is of the opinion that it is unlikely that our precision marketing services will be identified as personal credit reporting services and activities, for the following reasons:

First, as a platform displaying and promoting financial products for FSP clients, Banyan provides personalized display of financial products to individuals, which shall fall into the definition of “personalized display activities” under the Personal Information Security Specification (2020) and have been widely applied in various fields in the Internet industry. If such personalised display activities are listed as a kind of credit reporting business, it will greatly expand the scope of the 2021 Draft, which is contrary to the drafting purpose of the 2021 Draft to define the boundary of credit reporting business. As a result, our PRC Legal Adviser is of the view that such “personalised display activities” are unlikely to be treated as personal credit reporting services or activities under the 2021 Draft.

Second, Banyan platform does not provide anti-fraud screening results to any third parties. Individuals will only interact with FSP clients on Banyan platform after they have passed our anti-fraud screening and applied for specific financial products. In other words, Banyan does not use personal information to conduct credit evaluation, user portrait or other services described as individual credit reporting services under the Draft 2021, thus it is unlikely that our precision marketing services, which involve personalised recommendation based on anti-fraud screening, will be identified as individual credit reporting business.

C. Our insurance distribution services

For our insurance distribution services, collecting policyholders’ personal information by Liming is part of the ordinary course of business of an insurance brokerage firm. Accordingly, our PRC Legal Adviser is of the opinion that the 2021 Draft does not apply to our insurance distribution services.

The “minimum and necessary” principle required by the 2021 Draft will likely not apply to us or limit the scope, coverage and/ or capabilities of our data storage, processing and analytics

The 2021 Draft requires credit reporting agencies to follow the “minimum and necessary” principle when collecting credit information. Our PRC Legal Adviser is of the opinion that, given that the businesses currently conducted by us are not likely to constitute personal credit reporting services or activities, and it is our PRC Legal Adviser’s opinion that we are unlikely to be treated as a personal

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credit reporting agency, the minimum and necessary principle required under the Draft 2021 is unlikely to apply to us.

In addition, our PRC Legal Adviser is of the opinion that, in the unlikely event that our data analytics services were treated as activities relating to personal credit reporting services, we would have satisfied the “minimum and necessary” principle under the 2021 Draft, as we have taken strict measures to ensure that all the data in our database are encrypted and anonymized. See “Risk Factors—Risks Relating to Our Business and Industry—If we are deemed to engage in a personal credit reporting business and violate any PRC laws or regulations governing personal credit reporting businesses, our business, financial condition, results of operations and prospects could be materially and adversely affected. In particular, we are subject to uncertainties surrounding the 2021 Draft Measures for Credit Reporting Business, the implementation of which may have an adverse impact on our business, financial condition and results of operations.”

Measures we have taken to address the 2021 Draft

We believe the following measures that we have taken to address the 2021 Draft are helpful to navigate us through the uncertainty of the rule making process.

First, we are in the process of formulating plans to seek potential opportunities to collaborate with the existing licensed credit reporting agencies in the area of data analytics. As the 2021 Draft is still in drafting form and has not become effective, such plan remains at an early stage. We are closely monitoring the trajectory of the rule making process of the 2021 Draft and will adjust our strategy as appropriate as the rule making process moves forward.

Second, we have consulted with an official from a provincial branch of the PBOC, who has confirmed that the current effective PRC laws do not prohibit any entity from providing data analytics services and risk management technical services to the FSP clients. Pursuant to the currently effective PRC laws and regulations, the requirements for establishing a personal credit reporting agency include the following: (i) the major shareholders have a good reputation and do not have any record of major violation of law or in-compliance in the past three years, (ii) the registered capital shall not be less than RMB50 million, (iii) it has the facilities, equipment, systems and measures for the protection of information security which comply with the provisions of the PBOC, (iv) the proposed candidates for directors, supervisors and senior management personnel shall be familiar with the laws and regulations relating to credit reporting business, shall possess the work experience and management capabilities in the credit reporting business required for performance of their duties, shall not have any record of major violation or in-compliance during the past three years, and shall have obtained the appointment qualifications approved by the PBOC, (v) it has a proper organisational structure, (vi) it has proper internal control systems for business operation, information security management, compliance management, etc., (vii) its individual credit information system shall satisfy the standard of National Information System Security Level Protection Level 2 or above, and (viii) it satisfies any other prudential requirements stipulated by the PBOC. In the event that we plan to engage in the personal credit reporting business or are required to obtain a personal credit reporting business licence under the 2021 Draft, our PRC Legal Adviser is of the view that there will be no material legal impediments for us to establish a credit reporting agency pursuant to the currently effective PRC laws and regulations. However, we cannot assure you that if we end up applying for this licence, we will be granted the licence in a timely manner or at all. See also “Risk Factors—Risks Relating to Our Business and Industry—If we are deemed to engage in a personal credit reporting business and violate any PRC laws or regulations governing personal credit reporting businesses, our business, financial condition, results of operations and prospects could be materially and adversely affected. In particular, we are subject to

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uncertainties surrounding the 2021 Draft Measures for Credit Reporting Business, the implementation of which may have an adverse impact on our business, financial condition and results of operations.”

Third, we have taken a comprehensive set of measures to ensure compliance with the information security requirements under the 2021 Draft. See “—Data Arrangements and Data Security—Data Security” for a detailed description of the measures and policies we have put in place.

Based on (i) the discussions with us, our PRC Legal Adviser and the Joint Sponsors’ PRC legal adviser, (ii) our consultation with an official from a provincial branch of the PBOC and (iii) the view of our PRC Legal Adviser as set forth above, nothing has come to the attention of the Joint Sponsors for them to cast doubt on the reasonableness of our view that the above measures we have taken to address the 2021 Draft are helpful to navigate the Company through the uncertainty of the rule making process.

Summary of Laws and Regulations on Data Security

Ever since the effectiveness of the Several Provisions on Regulating the Market Order of Internet Information Services promulgated by the MIIT and the Decision on Strengthening the Protection of Online Information promulgated by the SCNPC in 2012, the PRC government has established a regulatory framework with the PRC Cyber Security Law as the core for data privacy and protection, and is further completing the legal framework by formulating the Data Security Law and Personal Information Protection Law (which are both currently in draft form). The following table summarizes the PRC laws and regulations concerning data privacy and protection that are material to our operation.

<u>Regulation</u>	<u>Status</u>	<u>Issuing Authority</u>	<u>Summary</u>
Several Provisions on Regulating the Market Order of Internet Information Services	Effective since 2012	MIIT	<ul style="list-style-type: none">● prohibits the internet information service provider from conducting any acts that infringe users’ legal rights, including refusing to provide service without reasons, limiting users’ use of service without reasons, providing service in a fraud or misleading manner, etc;● strengthens the protection of users’ personal information, including obtaining users’ consent before collecting and using users’ personal information, duly maintaining users’ personal information, and taking immediate remedial measures in the event of the leakage of personal information, etc.
Decision on Strengthening the Protection of Online Information	Effective since 2012	SCNPC	<ul style="list-style-type: none">● requires the internet service providers and other entities to comply with the principle of “lawfulness, reasonableness and necessity” when collecting and using personal information;● requires the publication of rules of collection and use of personal information;● requires the taking of necessary measures to protect personal information, and prevent leakage, damage and loss;

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<u>Regulation</u>	<u>Status</u>	<u>Issuing Authority</u>	<u>Summary</u>
Provisions on Protection of Personal Information of Telecommunication and Internet Users	Effective since 2013	MIIT	<ul style="list-style-type: none"> ● prohibits stealing or illegally acquiring personal information, and requires taking necessary measures to prevent the aforesaid acts; ● clarifies the scope of personal information; ● requires the obtaining of users' consent before collecting and using personal information, and compliance with the principle of "lawfulness, reasonableness and necessity" when collecting and using personal information; ● requires the internet information service provider to take security measures to prevent the leakage, damage, tamper or loss, including specifying the responsibility of departments, establishing working process and security management system for the collection and use of personal information, administering the staff's authority, conducting access inspection;
PRC Cyber Security Law	Effective since 2017	SCNPC	<ul style="list-style-type: none"> ● comprehensively stipulates the rules for data privacy and protection, including individuals' rights relating to their personal information, rules for internet operators to collect and use personal information and their obligations to protect personal information; ● requires internet operators to comply with principle of "lawfulness, reasonableness and necessity" when collecting and using personal information, to publish their rules of collection and use, to expressly disclose the purpose, method and scope of collecting and using personal information, and to obtain individual's consent; ● prohibits internet operators leaking, tampering or damaging personal information, or providing to any third party without such individual's consent; ● requires the internet operators to take technical or other necessary measures to protect personal information from any leakage, damage or loss, to take remedial measures immediately in the occurrence of any leakage, damage or loss, and to report to the regulatory authority and the user in a timely manner; ● requires internet operators to delete or correct personal information required by the individuals; ● prohibits stealing or illegally acquiring personal information, or illegally selling or providing personal information;

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<u>Regulation</u>	<u>Status</u>	<u>Issuing Authority</u>	<u>Summary</u>
			<ul style="list-style-type: none"> requires internet operators to establish the complaint and reporting system relating cyber security, to publish the contact information of compliant and reporting channel, to deal with the complaint and report relating to cyber security in a timely manner, to cooperate with any investigation conducted by the regulatory authority;
The Method for Identifying the Illegal Collection and Use of Personal Information by Apps	Effective since 2019	CAC, MIIT, MPS, SAMR	<ul style="list-style-type: none"> identifies the acts relating to “non-disclosure of collection and use rules”, “failure to expressly state the purpose, method and scope of collecting and using personal information”, “collecting or using personal information without the consent of users”, “collecting personal information unrelated to the services they provide in violation of the principle of necessity”, “providing others with personal information without consent”, “failure to provide the function of deleting or correcting personal information in accordance with the law” and “failure to disclose the information on complaints and reports”;
Draft Data Security Measures	Draft	CAC	<ul style="list-style-type: none"> stipulates a number of implementing provisions concerning aspects of data collection, data usage and processing, and data security administration;
Draft Data Security Law	Draft	SCNPC	<ul style="list-style-type: none"> stipulates the measures to support and promote data security and development, to establish and optimise the national data security management system, and to clarify organisations’ and individuals’ responsibilities in data security;
Draft Personal Data Protection Law	Draft	SCNPC	<ul style="list-style-type: none"> stipulates the scope of personal information and the ways of processing personal information, establishes rules for processing personal information and for transfer offshore, and clarifies the individual’s rights and the processor’s obligations in the use of personal information.

For our data analytics services, based on our current understanding and as advised by our PRC Legal Adviser accordingly to its interpretation of the Draft PDPL, we believe that we are a third party entrusted by our FSP clients to process personal data, because it is our FSP clients who should independently determine the data processing purpose and data processing manner. The Draft PDPL does not propose specific obligations on a third party like us who is entrusted by the personal data processor to process personal data, as long as we process personal data in compliance with the data processing agreements signed with our FSP clients, return or delete personal data to our FSP clients and do not outsource the data processing tasks to another third party in the absence of our FSP clients’ consent. Our PRC Legal Adviser, after reviewing relevant agreements and policies provided by us and based on our confirmation on certain facts relating to our operation, advises that as of the Latest

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Practicable Date, the potential changes in the Draft PDPL would not have a material impact on our operation and financial performance.

In the meantime, we rely on our FSP clients to comply with various data protection and compliance requirements under the Draft PDPL, such as giving specific information to and obtaining consents from end customers, authorising and disclosing us as an authorised third party to process personal data, authorising us to provide personal information to other third party data suppliers in case we need to purchase data analytics services and obtain end customers' additional consents. We were informed by our FSP clients that they have been actively interacting with relevant authorities regarding the interpretation of the Draft PDPL and how it will be implemented. They also indicated to us that they will be willing to adjust their business models and update the user contracts with their end customers to ensure full compliance with the Draft PDPL. However, it will be out of our control whether our FSP clients will fully comply with the Draft PDPL. Any failure of our FSP clients to comply with the Draft PDPL could subject them to legal proceedings, regulatory actions or penalties, which may indirectly and eventually impact our business and results of operations and may also damage our reputation or even subject us to legal proceedings, regulatory actions or penalties that our FSP clients are involved in.

As to our precision marketing services and insurance distribution services, we are a personal data processor directly subject to the Draft PDPL. Some aspects of our current practice do not meet the requirements under the Draft PDPL. For example, we have not run a risk assessment before processing sensitive data or providing data to a third party. Our current privacy policies of Banyan and Liming may lack sufficient or detailed information that are specifically required under the Draft PDPL and Liming does not ask for separate consents from data subject or conduct compliance audits periodically as the Draft PDPL requires.

We are currently in the process of amending our privacy policies in order to fully comply with the Draft PDPL and are negotiating with third party evaluation entities on how to conduct the risk assessment as required under the Draft PDPL. Moreover, based on its understanding of the Draft PDPL, as currently drafted, our PRC Legal Adviser is of the view that, (1) with respect to the businesses currently conducted by us, we are in compliance with the Draft PDPL in all material aspects; and (2) given that the Draft PDPL is still open to public comment and even if the Draft PDPL is promulgated in its current form, the requirements which we do not currently comply with are relatively minor and such non-compliance can be corrected through amending the privacy policy and privacy settings and strengthening internal management. We are also striving to correct any non-compliance before the effectiveness of the Draft PDPL. However, we cannot assure you that we would be able to fully comply with the Draft PDPL after it takes effect. Any failure of us to comply with the Draft PDPL, if it becomes effective in its current version, could subject us to legal proceedings, regulatory actions or penalties. If our failure to comply is found to be material by the relevant authorities, we may be subject to fines of up to RMB50 million or 5% of our revenue in the year preceding to our illegal activities or our business license may even be revoked.

Separately, the Draft Data Security Measures and the Draft Data Security Law may also impose additional compliance obligations once they become effective. For example, the Draft Data Security Measures requires, among other things, that an internet operator like us who collect personal information through websites or apps should publish the data collection rules, which should be specific, easy to understand and access and include information specifically required under the Draft Data Security Measures. Our current privacy policies of Liming may be deemed to lack sufficient or detailed information which is specifically required under the Draft Data Security Measures. Besides, the Draft Data Security Measures also requires a risk assessment to be conducted before providing

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personal information to a third party and obtain consents from end customers. Besides, internet operators should register certain information as required with the local Cyberspace Affairs Commission, if internet operators collect “important data” or personal sensitive data. We believe our operation does not involve important data as it refers to the type of data that, if leaked, would directly impact national or economic security, social stability, public health and safety, and such data “normally does not include personal data” as provided by the Draft Data Security Measures. However, “personal sensitive data” is not defined under the Draft Data Security Measures and if we are deemed to be collecting personal sensitive data, we may be subject to such registration requirements. Any failure to comply with the Draft Data Security Measures, if it becomes effective in its current version, may subject us to legal proceedings, regulatory actions or penalties, which include confiscation of illegal incomes, suspension of relevant business and our business licence may even be revoked. Any of the those penalties may damage our reputation and could have a material adverse impact on our business and results of operations.

The Draft Data Security Law requires that a data processor who processes important data should conduct periodic risk assessment and send assessment report to relevant regulatory authorities. The Draft Data Security Law does not define what constitutes “important data” and delegate to the local regulators to determine a detailed “important data catalogue”. If we were found to process “important data” by the relevant authorities and fail to make periodic risk assessment and report to relevant regulatory authorities, we may be subject to legal proceedings, regulatory actions or penalties up to RMB1 million, which we do not believe would have a material adverse impact on our business and results of operations. However, our PRC Legal Adviser advises that there are substantial uncertainties regarding the interpretation and application of these draft regulations. The relevant PRC regulatory authorities also have broad discretion in implementing such draft regulations once they take into effect. Therefore, we cannot assure you that the PRC regulatory authorities will ultimately take a view that is consistent with our PRC Legal Adviser’s opinion and our interpretation.

As advised by our PRC Legal Adviser, these draft laws and regulations were released for public comment only, and their operative provisions and the anticipated adoption or effective dates may be subject to change with substantial uncertainty. We will closely monitor and assess the trajectory of the law-making process.

Furthermore, to ensure data privacy and deploy secure computing, we provide privacy-preserving computing solutions based on PSI multi-party secure computing technology and federated learning framework in data matching and model construction. The multi-party secure computing technology enhances information security and guarantees data privacy of the matching parties, while the federated learning framework eliminates the reliance on traditional data centre during the modelling process, thereby improving the data security in relation to the big data analytics services provided to FSP clients.

Our PRC Legal Adviser, based on the relevant agreements and policies provided by us and our confirmation on certain facts relating to our operation, is of the view that we are in compliance with all the applicable PRC laws and regulations governing data protection and privacy in all material respects.

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Key Terms of Material Agreements

Data Analytics Services

Set forth below is a summary of the key terms of our service agreements with FSPs for provision of data analytics services:

<u>Key term</u>	<u>Description</u>
Service scope	<p>Our FSP clients can choose to subscribe for the specific products and services, individually or in combination, to suit their specific needs. Please see “Business—Data analytics services” for a detailed description of the specific data analytics products and services we offer to FSP clients.</p>
Pricing	<p>For usage-based subscriptions, we charge our FSP clients based on the volume of requests they transmit to us for analysis and the types of modules to which they subscribe. We have a stand-ready obligation to perform during the contract period, and our obligation is to process an unknown quantity of transactions (e.g. data requests), as and when requested by our FSP clients over the contract period. The unit price for each transaction (or each request from our FSP clients) is pre-determined in the contracts. Typically, we make reconciliations with our FSP clients on the number of requests within each month and bill our FSP clients on a monthly basis.</p> <p>In addition, we offer a small number of our FSP clients an annual subscription package under which an FSP client pays a preset fee for a pre-determined number or unlimited number of requests during the subscription period. Revenue from the annual subscription packages constitutes an insignificant portion of our total revenue throughout the Track Record Period.</p> <p>A small part of our revenue during the Track Record Period came from providing project-based products and services to meet the specific needs of our clients, such as localised solutions and joint modelling, for which we charge a prenegotiated fee.</p> <p>Depending on the different types and volumes of products and services that FSPs subscribe for, the specific pricing arrangements with FSP clients vary. See “—Our Pricing Policy—Pricing policy and revenue model for data analytics services” for a detailed description.</p>
Data privacy and security	<p>We only provide data analytics services to help an FSP client conduct credit assessment and other data analytics services based on encrypted data from such FSP client and the data labels in our database (including data labels we source from third-party data partners).</p> <p>When we deliver our services to our FSP clients, we only provide them with the final results of our analysis in the form of data labels without sharing any personal information.</p> <p>Substantially all of our FSP clients use our standard data analytic service agreement which contains proper and sufficient consents from data subject for collection, storage, usage, provision, transmission and sharing to other third party data suppliers with respect to the personal data and we will be entitled to compensation if our FSP clients fail to obtain proper and sufficient consents. Our agreements with the remaining FSP clients either contain specific data privacy compliance terms similar to our standard template data analytic service</p>

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<u>Key term</u>	<u>Description</u>
	agreement, or contain a general compliance with all legal and regulations provision. See also “Business—Data Arrangements and Data Security” for a detailed description of the policies and measure we take to ensure data privacy and security.
Credit term	Between 30 and 180 days
Term and termination	The service agreement typically has a term of one year, subject to early termination by a party if the other party materially breaches the agreement. The term can be renewed by mutual agreement.

We use our in-house research and development team to independently develop the underlying technologies and data analytics models needed for our services. We sometimes enter into technology development contracts with our FSP clients to provide them with project-based products and services, such as localised solutions and joint modelling. These technology development contracts normally include the following key terms: (i) the scope of cooperation, which covers requirement analysis, design, development, debugging, testing, online and remote maintenance; (ii) a detailed project development plan, which typically specifies that the development project should be completed in three phases, as well as deadline and work goal for each phase; (iii) fees for our services, which typically is a fixed fee for each project and the FSP client should pay us within the designated period after the signing of agreement; (iv) testing and delivery of the project, which typically lists the procedures and standards of testing and delivery of project; (v) intellectual property rights, which typically provide that the intellectual property rights of any application software that has been developed by us before the project should belong to us while the intellectual property rights of the new data model developed in the project should belong to the FSP client; and (vi) termination of agreement, which typically provides that any amendment or termination of agreement should be mutually agreed by both parties in writing or as a result of material breach by one party, unless otherwise agreed.

Precision Marketing Services

Set forth below is a summary of the key terms of our service agreements with FSPs for provision of precision marketing services:

<u>Key term</u>	<u>Description</u>
Service scope	<p>We provide precision marketing services to the FSP clients that offer financial products (currently loans products) through our platform. Our services cover intelligent front-end filtering, precision matching and recommendation, real-time risk monitoring and value-added post-recommendation services and help the FSPs to identify qualified individual consumers for their financial products offered. Please see “Business—Marketing and distribution services—Data analytics services” for a detailed description of our precision marketing services.</p> <p>We do not extend credit or assume any credit risk for any product recommended through our platform.</p>
Pricing	We typically charge service fees from the FSPs primarily based on the number of applications of qualified borrowers. The price for each recommendation charged to the FSPs is a fixed price or a fixed percentage of the amount of the financial products (e.g. loan volume facilitated) approved pursuant to the specific service agreement. See “—Our Pricing Policy—Pricing policy and revenue model for precision marketing services” for a detailed description.

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<u>Key term</u>	<u>Description</u>
Data privacy and security	<p>We only provide precision marketing services to help the FSP clients with their need for precise matching and recommendation of their financial products based on the data or data labels in our database.</p> <p>See also “Business—Data Arrangements and Data Security” for a detailed description of the policies and measure we take to ensure data privacy and security.</p>
Credit term	Between 30 and 180 days
Term and termination	The service agreement typically has a term of one year, subject to early termination by a party if the other party materially breaches the agreement. The term can be renewed by mutual agreement.

Insurance Distribution Services

For our insurance distribution services, we enter into our standard broker agreements with our insurance brokers, which typically has a term of one year. All of our sales of insurance products are conducted through individual insurance brokers, who are not our employees and are paid on commission basis only. The individual insurance brokers provide brokerage services for us in a specific geographical scope as agreed. We conduct performance evaluation on our insurance brokers from time to time. Compensation for our insurance brokers typically consists of a premium-based commission and a discretionary bonus, and we typically pay our insurance brokers the commission on a monthly basis. Our insurance brokers are obligated to maintain confidentiality over any insights we provide to them about potential customers.

Set forth below is a summary of the key terms of our insurance brokerage agreements with insurance companies for provision of insurance distribution services:

<u>Key term</u>	<u>Description</u>
Scope of cooperation	<p>We provide insurance brokerage services to the insurance companies for a specific scope of insurance products and in a specific geographical scope as agreed.</p> <p>We should hold a legally effective insurance brokerage licence and comply with all application laws and regulations and the insurance companies’ policies when providing insurance brokerage services. We should select qualified policy holders for the insurance companies according to their criteria.</p> <p>We cannot sign any insurance policy or insurance agreement or make any agreements or promises for settlement of claims on behalf of the insurance companies. The insurance companies are obliged to conduct insurance underwriting and verification of claim by themselves.</p>
Payment term	We earn commissions and service fees from the insurance companies as a percentage of the insurance premium generated on such insurance product. We normally settle our commissions with the insurance companies on a monthly basis.
Termination of agreement	<p>The insurance brokerage agreement typically has a term of one year or will be terminated on the expiration date of our insurance brokerage licence (whichever is earlier).</p> <p>Any amendment or termination of the insurance brokerage agreement needs to be mutually agreed by both parties or as a result of a material breach by a party, unless otherwise agreed.</p>

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Data sharing with third-party data partners

We use a wide array of reputable third party data partners. For each period of the Track Record Period, we had more than 30 third party data partners and we do not rely on a few or a particular set of these third party data partners. Our collaborations with third party data partners are not exclusive. Our third party data partners range from travel services to payment processing and telecommunication operators, each providing us with data labels in specific category via real-time query feedback. Our third party data partners are reputable institutions that have a commitment to provide high quality data labels, and have developed comprehensive vetting standards for data partner engagement. Our representative data partners include, among others, (i) a subsidiary of a Shenzhen-listed company which is a pioneer in China's payments and fintech industry, (ii) a subsidiary of a major state-owned telecommunications operator that focuses on providing consumer internet products and services through a unified online platform, and (iii) a leading big data intelligence strategy service provider, which offers one-stop services for big data analytics and application service platforms in connection with banking services provided through China's major interbank network. Although we believe that our collaborations with its existing data partners are and will continue to remain stable, to prevent any remote possibilities of collaboration disruption, we have identified a list of qualified back-up data partners that have knowledge about our business and the industry we operate in and that have data resources comparable with our existing data partners.

Set forth below is a summary of the key terms of our data sharing agreements with our data partners.

<u>Key term</u>	<u>Description</u>
Scope of data sharing	Our data partners share with us consumer data labels that we deem necessary to fulfil the risk evaluation needs of our FSP clients and enhance our data analytics capabilities.
Pricing	We pay our data partners an agreed-upon, fixed fee per batch of data shared pursuant to each specific data sharing agreement.
Data privacy and security	<p>We maintain our own data platform and database and do not have a shared pool of data with our data partners. We and our data partners have independent computing and analytical capabilities, and data collected by us and our data partners are stored in the respective databases of us and our data partners.</p> <p>We either require our data partners to ensure proper and sufficient authorizations from their users and customers in collecting, using and providing us with data labels based on those individuals' data or require our data partners to guarantee that they are in compliance with laws and regulations in providing data services to us or do not infringe any other third party's legal rights. See also "Business—Data Arrangements and Data Security" for a detailed description of the policies and measure we take to ensure data privacy and security.</p>
Term and termination	The service agreement typically has a term of one year, subject to early termination by a party if the other party materially breaches the agreement. The term can be renewed by mutual agreement.

Our Research and Development

Our vision and focus on innovation have fuelled our growth and enabled us to deliver our products and services. We allocate a substantial portion of our operating expenses to research and development, including improving our data analytics technology and developing new data analytics products and services. We incurred RMB139.0 million, RMB176.2 million, RMB216.4 million and RMB150.9 million of research and development expenses in 2017 and 2018 and 2019 and for the nine months ended September 30, 2020, respectively.

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As of September 30, 2020, we had 512 employees dedicated to research and development, including 81 data scientists, 199 risk specialists and 232 software and technology developers.

More than 20% of our R&D staff have obtained postgraduate or doctorate degree. They combine their in-depth knowledge of decision-making processes in national banks and financial institutions with experience in developing advanced algorithms and big data at leading internet companies. Our team of data analysts, risk specialists, software engineers and technology infrastructure architects work closely together to develop and upgrade our platforms. We have also established an AI laboratory with a dedicated team of data scientists. Our AI laboratory focuses on applications of AI, machine learning, and big data analytics to predictive modelling from very large, richly structured datasets.

The following is a summary of our key research and development milestones during the Track Record Period. In addition, we have been certified as a High and New Technology Enterprise in China since 2016.

<u>Year</u>	<u>R&D Milestone</u>
2017	Leveraged our data analytics capabilities to commence precision marketing services and insurance distribution services businesses
2018	Established AI laboratory focused on applications of AI, machine learning, and big data analytics to predictive modelling from very large, richly structured datasets Jointly established Research Center for Big Data in Finance with the Tsinghua University PBC School of Finance.
2019	Launched AI-enabled smart servicing voicebot Recognized for a fourth consecutive time as one of China's 50 leading fintech enterprises by KPMG
2020	Launched AutoML, our intelligent model training platform

Our research and development activities aim to strengthen our core capabilities by investing in AI and big data technologies to develop and adopt frontier AI and big data technologies, leveraging our data analytics capabilities to improve services and solutions to serve the critical needs of our FSP clients, and optimizing and enhancing our technology infrastructure. Our research and development expenses have contributed to the enhancement of our technology capabilities. These enhancements include hiring research and development talents and experts, expanding our intellectual property portfolio, and constantly enhancing our proprietary database and upgrading our current data processing technology and AI/machine learning algorithms.

After the Listing, we intend to invest research and development projects to (i) enhance our distributed relationship mapping capabilities, (ii) develop our AutoML technology to train more unique models in the financial industry field, and (iii) further develop our AI and machine learning capabilities. The results of these research and development projects will be applied in the applications and solutions we provide to our FSP clients in the future. Examples of new applications and solutions that we currently plan to continue to develop include intelligent data analytics solutions for industry sectors that involve financial technology, such as the auto industry. In addition, we plan to cooperate with technology companies, universities and research centres that possess cutting-edge technologies such as machine learning, big data analytics and other technologies related to our business that would allow us to enhance our data intelligence infrastructure.

Sales and Marketing

We follow a “Land and Expand” model to acquire FSP clients and grow our client relationships over time. We complement this model with a business development team with extensive experience in the financial services industry. This team is dedicated to establishing long-term relationships with FSPs, understanding and anticipating their needs and identifying opportunities for them to adopt our products and services. As we strengthen our relationship with an FSP and understand more about its strategies and policies, we have the opportunity to upsell and cross-sell additional products and services and offer our integrated products and services. Our business development team works closely with FSPs and continually gains insights into the competitive dynamics of the industry and new market opportunities. We help FSPs to acquire new customers through a variety of marketing channels, such as news feed ads, app stores and other third-party apps.

In addition, we have a marketing team responsible for increasing the awareness of our brand, promoting our new and existing products and services, maintaining our relationships with business partners and managing public relations.

Our Clients

We have attracted a large and diversified group of FSP clients. As of September 30, 2020, we had served more than 4,200 FSP clients in China, including substantially all of China’s national banks, more than 650 regional banks, substantially all of China’s consumer finance companies, over 90 major insurance companies and a variety of other FSPs. The proprietary and embedded nature of our products and services and the critical role that we play in our clients’ decision-making processes have translated into high client retention, which enables us to continuously accumulate and expand data labels, laying a critical foundation for the constant improvement of our big data analytics capabilities. For example, we had a Key FSP client retention rate of 89% in 2019. The Key FSP client retention rate is the percentage of the Key FSP clients we have in a given year that we continue to retain during the next twelve months. Also, we achieved a net dollar expansion rate of 125% in 2019 for our Key FSP clients in 2018. Net dollar expansion rate is an indicator for long term value of our business relationship with our Key FSP clients and our ability to retain and grow revenue from Key FSP clients. We calculate net dollar expansion rate as a fraction, the denominator of which is the revenue contribution from Key FSP clients in one given year and the numerator of which is the contribution from the same group of Key FSP clients in the following year, expressed as a percentage.

During the Track Record Period, due to (i) the expansion of our insurance distribution services, (ii) the strategic business adjustments made by some of our clients from time to time as a result of their respective development stages or results of operations, and (iii) other factors such as macroeconomic and industry conditions and regulatory environment, we experienced changes in the composition of our top clients, including both increase in demands from certain licensed FSPs, in particular, banks and insurance companies, contributing to an increasingly higher portion of our total revenue, and decrease in revenue generated from certain other major clients. See “Risk Factors—Risks Relating to Our Business and Industry—Our arrangements with FSP clients are typically not exclusive. Failure to maintain relationships with existing FSP clients, especially our major clients, or develop new ones may materially and adversely affect our business and results of operations.” For each of the years ended December 31, 2017, 2018 and 2019 and for the nine months ended September 30, 2020, our top five clients accounted for approximately 29.9%, 21.7%, 25.8% and 17.7% of our total revenue, and revenue from our largest client alone accounted for approximately 9.7%, 6.2%, 8.0% and 4.3% of our total revenue during each of these periods.

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The following table sets forth certain information of our five largest clients for each period during the Track Record Period.

<u>Clients</u>	<u>Revenue amount (RMB in thousands)</u>	<u>% of total revenues</u>	<u>Products sold / services rendered</u>	<u>Years of business relationship as of December 31, 2017</u>	<u>Client background</u>
<i>Year ended December 31, 2017</i>					
Client A	34,336	9.7%	Data analytics services	3 years	A China-based consumer finance company
Client B	24,993	7.1%	Precision marketing services	1.5 years	A China-based financial technology company
Client C	18,050	5.1%	Data analytics services	1.5 years	A China-based online micro-lending company
Client D	16,624	4.7%	Data analytics services	3 years	A China-based financial service group (including banking, securities, insurance and investment management services)
Client E	11,865	3.3%	Precision marketing services	1 year	A listed China-based insurance company
Total	<u>105,868</u>	<u>29.9%</u>			
<i>Year ended December 31, 2018</i>					
<u>Clients</u>	<u>Revenue amount (RMB in thousands)</u>	<u>% of total revenues</u>	<u>Products sold / services rendered</u>	<u>Years of business relationship as of December 31, 2018</u>	<u>Client background</u>
Client F	52,863	6.2%	Data analytics services	1 year	A China-based financial technology company
Client G	44,858	5.2%	Insurance distribution services	3 years	A listed China-based insurance company
Client A	43,206	5.0%	Data analytics services	4 years	A China-based consumer finance company
Client H	24,134	2.8%	Data analytics services	1.5 years	A China-based online micro-lending company
Client D	21,414	2.5%	Precision marketing services Data analytics services	4 years	A China-based financial service group (including banking, securities, insurance and investment management services)
Total	<u>186,475</u>	<u>21.7%</u>			

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Clients	Revenue amount (RMB in thousands)	% of total revenues	Products sold / services rendered	Years of business relationship as of December 31, 2019	Client background
<i>Year ended December 31, 2019</i>					
Client I	100,379	8.0%	Data analytics services Precision marketing services	3.5 years	A China-based financial technology company
Client F	65,990	5.2%	Data analytics services Precision marketing services	2 years	A China-based financial technology company
Client J	61,626	4.9%	Insurance distribution services	1 year	A China-based insurance company
Client K	49,410	3.9%	Data analytics services Precision marketing services	2 years	A China-based financial technology company
Client L	48,314	3.8%	Data analytics services Precision marketing services	2.5 years	A China-based financial technology company
Total	<u>325,719</u>	<u>25.8%</u>			
<i>Nine months ended September 30, 2020</i>					
Client J	32,547	4.3%	Insurance distribution services	1 year	A China-based insurance company
Client M	27,296	3.6%	Precision marketing services	4 years	A China-based company providing thrift-shopping platform services
Client L	27,120	3.6%	Data analytics services Precision marketing services	3 years	A China-based financial technology company
Client N	26,584	3.4%	Insurance distribution services	2 years	A China-based insurance company
Client O	21,840	2.8%	Precision marketing services Data analytics services	3 years	A listed China-based insurance company
Total	<u>135,387</u>	<u>17.7%</u>			

To the best of our knowledge, all of our five largest clients during the Track Record Period are independent third parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest clients during the Track Record Period.

During the Track Record Period, revenue contribution from some of our FSP clients experienced significant fluctuations. For example, revenue contributed by Client A decreased from RMB23.0 million for the nine months ended September 30, 2019 to RMB3.2 million for the nine months ended September 30, 2020. See also “Risk Factors—Risks Relating to Our Business and Industry—Decline in our FSP clients’ demand for our services could materially harm our business.”

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Our Suppliers

Our suppliers primarily include internet or insurance marketing service providers. For each of the years ended December 31, 2017, 2018 and 2019 and for the nine months ended September 30, 2020, our top five suppliers accounted for approximately 26.7%, 14.7%, 14.2% and 12.3% of our purchases, and purchases from our largest supplier alone accounted for approximately 10.3%, 4.7%, 4.7% and 3.0% of our purchases during each of these periods. None of our five largest suppliers during the Track Record Period are our Directors, their respective associates, or any shareholders of our Company (who or which to the knowledge of the Directors owned more than 5% of our Company's issued share capital).

The following table sets forth certain information of our five largest suppliers for each period during the Track Record Period.

<u>Suppliers</u>	<u>Expense amount (RMB in thousands)</u>	<u>% of total expenses</u>	<u>Products purchased / service provided</u>	<u>Years of business relationship as of December 31, 2017</u>	<u>Supplier background</u>
<i>Year ended December 31, 2017</i>					
Supplier A	44,165	10.3%	Promotion and information services	1.5 years	A China-based company providing online promotion and marketing services
Supplier B	33,010	7.7%	Data analytic services	3 years	A China-based company providing third-party payment services and digital financial solutions services
Supplier C	14,887	3.5%	Human resource service outsource	3 years	A China-based company providing human resource services
Supplier D	12,067	2.8%	Rental and property management services	3 years	A listed China-based company providing rental and property management services
Supplier E	10,789	2.4%	Internet information and data services	2.5 years	A China-based company providing digital solutions
Total	<u>114,918</u>	<u>26.7%</u>			

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<u>Suppliers</u>	<u>Expense amount (RMB in thousands)</u>	<u>% of total expenses</u>	<u>Products purchased / service provided</u>	<u>Years of business relationship as of December 31, 2018</u>	<u>Supplier background</u>
<i>Year ended December 31, 2018</i>					
Supplier F	42,562	4.7%	Internet advertising and promotion services	3 years	A China-based company providing mobile sales and marketing services
Supplier A	30,075	3.3%	Promotion and information services	1.5 years	A China-based company providing online promotion and marketing services
Supplier G	25,508	2.8%	Internet advertising and promotion services	2.5 years	A China-based company providing mobile sales and marketing services
Supplier H	18,872	2.1%	Internet advertising and promotion services	1 year	A China-based company providing mobile advertising services
Supplier B	16,560	1.8%	Data analytic services	3 years	A China-based company providing third-party payment services and digital financial solutions services
Total	<u>133,577</u>	<u>14.7%</u>			
<u>Suppliers</u>	<u>Expense amount (RMB in thousands)</u>	<u>% of total expenses</u>	<u>Products purchased / service provided</u>	<u>Years of business relationship as of December 31, 2019</u>	<u>Supplier background</u>
<i>Year ended December 31, 2019</i>					
Supplier F	61,943	4.7%	Internet advertising and promotion services	3 years	A China-based company providing mobile sales and marketing services
Supplier I	46,225	3.5%	Insurance products promotion services	2 years	A China-based company operating an auto retail platform
Supplier J	26,674	2.1%	Internet advertising and promotion services	1 year	A China-based company providing online advertising and promotion services
Supplier K	26,519	2.1%	Internet advertising and promotion services	2.5 years	A China-based company providing integrated digital marketing services
Supplier L	23,901	1.8%	Rental and property management services	1.5 years	A China-based company providing rental and property management services
Total	<u>185,262</u>	<u>14.2%</u>			

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Suppliers	Expense amount (RMB in thousands)	% of total expenses	Products purchased / service provided	Years of business relationship as of September 30, 2020	Supplier background
<i>Nine months ended September 30, 2020</i>					
Supplier I	24,590	3.0%	Insurance products promotion services	2 years	A China-based company operating an auto retail platform
Supplier M	24,285	3.0%	Internet advertising and promotion services	2.5 years	A China-based company providing online advertising and promotion services
Supplier L	20,172	2.5%	Rental and property management services	2 years	A China-based company providing rental and property management services
Supplier N	16,871	2.1%	AI outbound services	2 years	A China-based company providing AI and big data solution services
Supplier O	14,225	1.7%	Risk control services based on credit data analysis	1 year	A listed China-based company providing digital solution services
Total	<u>100,143</u>	<u>12.3%</u>			

Sustainability of Our Business

Since our founding, we have achieved improvement in our results of operations, asset position and cash flow position. Benefiting from the solid foundation we have built and the momentums we have achieved, we believe we are able to maintain sustainability and growth of our business.

Scalable and efficient business model enabling sustainable growth

We are well-positioned to effectively compete in the markets in which we operate our efficient and scalable business model, which reflects the scalability inherent in a capital lite, service-oriented model. We use our core database and our data analytics capabilities to support the products and services we provide, which, in turn, generate data insights of large magnitude, enabling us to further enhance our core database and improve our data analytics capabilities. Moreover, our products and services can be integrated with our FSP clients' decision-making process and delivered on a modularised basis, such that they can be easily subscribed, individually or in combination, by new clients with minimal incremental costs incurred.

Our data intelligence infrastructure is trained by data of great breadth and depth and provides a range of applications and solutions that serve the critical needs of our FSP clients. Being highly scalable and flexible, our data intelligence infrastructure can adapt to support a wide range of solutions and applications developed by us, and enables fast product development and iteration. Leveraging our scalable technology infrastructure and platform, we have successfully developed a suite of data analytics-driven solutions and services, currently comprising data analytics services, precision marketing services and insurance distribution services.

We will continue to explore new solutions and broaden our solution offerings to further unleash the monetization potential of our database and data analytics capabilities and capture more growth

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opportunities, while deriving additional insights and uncover new areas to explore, improve and optimize.

Rapid diversification and growth of clients, and increase of key client average spending

Today, we are often a preferred choice of service provider for independent big data analytics products and services for FSPs in China. Our over 4,200 FSP clients as of September 30, 2020 represent a broad range of FSPs, including almost all China’s national banks, more than 650 regional banks, almost all China’s consumer finance companies, over 90 major insurance companies and a variety of other FSPs.

Our client base continues to grow as we scale our business and expand our product and service platforms, and the average spending of our Key FSP client has continuously to grow. Our Key FSP clients generated 55%, 64% and 73% of our total revenue in 2017, 2018 and 2019, respectively.

	For the Year Ended December 31,			For the Nine Months Ended September 30,
	2017	2018	2019	2020
Number of paying FSP clients	493	1,202	1,494	1,079
Number of Key FSP clients	62	135	196	—
Average revenue per key FSP client (RMB in million)	3.2	4.1	4.7	—

Our growing client base reflects not only the strength of our platforms, but our distinguished ability to sell and implement into the often extended sales cycles of financial institutions.

We have continued to diversify our client base. During the Track Record Period, while our total revenue was increasing, the aggregate revenue from our five largest FSP clients as a percentage of our total revenue was declining and had not accounted for more than 30% of our total revenue for each period. The revenue from our largest FSP client in each period as a percentage of our total revenue was declining and had not accounted for more than 10% of our total revenue for each period.

In addition, we had a Key FSP client retention rate of 89% in 2019 and achieved a net dollar expansion rate of 125% in 2019 for our Key FSP clients in 2018. These metrics indicate our ability to (i) convert more FSP clients to paying FSP clients and then to Key FSP clients, enabling us to establish a recurring revenue stream and (ii) establish a deep relationship with our Key FSP clients and retain and grow revenue from Key FSP clients.

As such, we have displayed a strong track record in our ability to leverage our database and data analytics capabilities to expand our client base and deepen the existing client base. Leveraging our “Land and Expand” model, we could cost-effectively expand our FSP client base and increase our service engagement with clients over time. In 2019, 82 of our paying FSP clients used services in at least two out of our three major service lines. Revenue from those paying FSP clients was RMB564.6 million, accounting for 45% of our total revenue in 2019.

Sustainable revenue growth across our service lines

Revenues generated from each of our major service line—data analytics services, precision marketing services and insurance distribution services, witnessed significant growth from 2017 to 2019 before the COVID-19 outbreak in 2020. See “Financial Information—Description of Major Components of Our Consolidated Statements of Profit or Loss—Revenues”, “Financial Information—Comparison of Nine Months Ended September 30, 2020 and 2019”, “Financial Information—Comparison of Years Ended December 31, 2019 and 2018” and “Financial Information—Comparison of Years Ended December 31, 2018 and 2017” for a detailed explanation of our revenue growth from 2017 to 2019.

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Data analytics services

Our data analytics services witnessed rapid growth from 2017 to 2019 before the COVID-19 outbreak in 2020. Revenue from our data analytics services increased by 29.2% from RMB314.5 million in 2017 to RMB406.3 million in 2018. Revenue from our data analytics services increased by 28.6% from RMB406.3 million in 2018 to RMB522.7 million to 2019.

	For the Year Ended December 31,		
	2017	2018	2019
	(RMB in million)		
Revenue from data analytics services	314.5	406.3	522.7
YoY (%)	—	29.2%	28.6%

Such increases were primarily due to the increase of number of Key FSP clients and our continuing efforts to diversify our product offerings and expand client base. The number of our Key FSP clients for data analytics services is 60, 92 and 139 in 2017, 2018 and 2019.

	For the Year Ended December 31,		
	2017	2018	2019
Number of Key FSP clients for data analytics services	60	92	139

Despite the impact of the COVID-19 outbreak on our FSP clients in 2020, the data analytics services revenue decreased by only a single-digit number for the nine months ended September 30, 2020. We believe our data analytics services will resume sustainable growth with the recovery of China's financial services market and our FSP clients' businesses.

We will continue to concentrate our efforts on consistently expanding our client base among China's FSPs and penetrating our existing client base to create more cross-selling opportunities. We believe the headroom for growth is huge given that (i) we are still expanding our solution set to meet the increasingly complex demand from our FSP clients, and (ii) awareness of the value of our solutions among our existing and potential FSP clients continues to grow, according to Frost & Sullivan. Taking into account the above, we believe that we are well-positioned to continuously improve the growth of data analytics services going forward.

Precision marketing services

Our precision marketing services witnessed significant growth from 2017 to 2019 before the COVID-19 outbreak in 2020. Revenue from our precision marketing services increased significantly from RMB17.9 million in 2017 to RMB271.1 million in 2018. Revenue from our precision marketing services increased by 49.3% from RMB271.1 million in 2018 to RMB404.8 million in 2019.

	For the Year Ended December 31,		
	2017	2018	2019
	(RMB in million)		
Revenue from precision marketing service	17.9	271.1	404.8
YoY (%)	—	1,415.4%	49.3%

Such significant increases were primarily due to the expansion of our user acquisition channels and rapid development of the personal credit market in China. The number of our Key FSP clients for precision marketing services is 4, 24, 32 in 2017, 2018 and 2019.

	For the Year Ended December 31,		
	2017	2018	2019
Number of Key FSP clients for precision marketing services	4	24	32

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Our precision marketing services declined for the nine months ended September 30, 2020 due to (i) the negative impact of the COVID-19 outbreak on China’s personal credit market in general and (ii) the evolving regulations on retail credit market that caused some of our FSP clients to adjust their business strategy on personal loans. We currently primarily recommend consumer loan products on Banyan.

We believe that resilience exists in our precision marketing services. First, we plan to broaden the products (e.g., credit cards) recommended on Banyan. Second, we will further strengthen the depth of our cooperation with traffic platforms and enhance the precision of user acquisition. Third, as we continue to improve efficiency in user acquisition and accuracy in matching and recommendation and gain reputation among our existing FSP clients, we will be able to win more FSP clients that need precision marketing services. Fourth, China’s personal credit market is expected to rebound as China’s economy continued to gain momentum as COVID-19 is largely under control in China. Taking into account the above, we believe that we are well-positioned to continuously improve the growth of precision marketing services going forward.

Insurance distribution services

Our insurance distribution services witnessed significant growth during the Track Record Period. Revenue from our insurance distribution services increased by 102.6% from RMB164.0 million in 2018 to RMB332.2 million in 2019, primarily due to more effective and efficient sales efforts and enhanced business cooperation with insurance companies. Despite the COVID-19 outbreak, revenue from our insurance distribution services increased by 6.9% from RMB222.2 million for the nine months ended September 30, 2019 to RMB237.5 million for the nine months ended September 30, 2020, primarily due to the enhanced business cooperation with insurance companies and more effective sales efforts by our insurance brokers with the actionable insights provided by us into potential clients’ insurance product preferences.

	For the Year Ended December 31,		
	2017	2018	2019
	(RMB in million)		
Revenue from insurance distribution service	6.1	164.0	332.2
YoY (%)	—	2,590.8%	102.6%

The number of our Key FSP clients for insurance distribution services is 36 and 44 in 2018 and 2019.

	For the Year Ended December 31,		
	2017	2018	2019
Number of Key FSP clients for insurance distribution services	—	36	44

Taking into account the momentum of our insurance distribution services during the Track Record Period, we believe that we are well-positioned to continuously improve the growth of insurance distribution services going forward.

The COVID-19 outbreak has negatively affected China’s financial services industry, which, in turn, has negatively affected our FSP clients’ need for big data analytics services and precision marketing services in 2020. See “Financial Information” for a detailed description of the impact of the COVID-19 outbreak on our business and operations. However, as China’s economy continued to gain momentum after the pandemic is largely under control in China, the overall credit market is expected to rebound. On the other hand, FSPs are paying more attention to early warning of risks and the activity of existing users, which requires heightened post-lending monitoring. In the worst case scenario under which we

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have to completely suspend all of our business operations and do not generate any revenue after September 30, 2020 due to COVID-19 outbreak, we believe we will remain financially viable for approximately 21 months after Listing. Please see “Summary” for a detailed description of the key assumption of our estimate. Our database and data analytics capabilities continue to improve in 2020 during the pandemic. We believe with China’s financial services industry recovering from the pandemic, our major service lines will resume sustainable growth in absolute amount due to our strong client base and our scalable technology platform and business model.

Our ability to turn profitable

Our gross profit experienced significant growth from 2017 to 2019 before the COVID-19 outbreak in 2020, from RMB243.7 million in 2017, to RMB625.7 million in 2018 and further to RMB971.8 million in 2019. We had overall gross margins of 68.8%, 72.9% and 77.0% in 2017, 2018 and 2019, respectively. For the nine months ended September 30, 2020, although our revenue decreased compared with the revenue for the nine months ended September 30, 2019 due to the impact of the pandemic, our gross margin remained stabilised at 73.2%. This is a recognition of the value we delivered in the segments we serve. We expect our overall gross margin to continue to expand in the near term as we drive further economies of scale in our service delivery, increase the contribution from higher margin revenue streams and fully leverage our database and data analytics capabilities. See “Financial Information—Description of Major Components of Our Consolidated Statement of Profit or Loss—Gross Profit and Gross Margin” for more details.

During the Track Record Period, we were able to achieve enhanced operating leverage.

- Our general and administrative expenses as a percentage of our revenue declined from 27.2% in 2017 to 20.2% in 2018 and further to 17.5% in 2019 and declined from 18.3% for the nine months ended September 30, 2019 to 18.1% for the nine months ended September 30, 2020. We expect administrative expenses to grow moderately and hence with our projected revenue growth and expect administrative expenses as a percentage of revenue to continue to decline as a result of our improved operating efficiency.
- Our research and development expenses as a percentage of our revenue declined from 39.2% in 2017 to 20.6% in 2018 and further to 17.2% in 2019. For the nine months ended September 30, 2020, our research and development expenses as a percentage of our revenue was 19.8%. We expect research and development expenses to grow moderately and hence with our projected revenue growth. This is primarily driven by (i) the increase of staff costs and share-based compensation, as part of our long-term strategy to enhance the R&D capability; (ii) reduction of technical services expenditures as a result of the optimization of our business operation.
- Our selling and marketing expenses as a percentage of our revenue increased from 23.5% in 2017 to 38.0% in 2018 and further to 44.9% in 2019. This is primarily due to our increasing efforts to acquire FSP clients and the marketing expenses incurred after we acquired Liming and commenced insurance distribution services. For the nine months ended September 30, 2020, our selling and marketing expenses as a percentage of our revenue was 40.8%, which is primarily driven by the decreased revenue contribution from our precision marketing services. We expect to further improve our selling and marketing efficiency by leveraging the network effects associated with our scalable business model and technology platform and drive rapid moderation of our selling and marketing expenses as a percentage of revenue.

Our non-IFRS profit for the year/period, excluding the impact of the non-recurring and non-cash items (including share-based compensation, fair value changes of redeemable convertible preferred shares,

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fair value changes of convertible loan and listing expenses), was a loss of RMB83.2 million in 2017, a loss of RMB1.6 million in 2018, a profit of RMB13.1 million in 2019 and a profit of RMB20.4 million for the nine months ended September 30, 2020. The fair value changes of redeemable convertible preferred shares is the largest contributor to our IFRS loss for the year/period, which will be converted to ordinary shares upon Listing. Taking into account (i) the growth of our business in general, (ii) the sustainable gross margin and enhanced operating leverage, (iii) the solid technology foundation we have laid through continuous investments, and (iv) fair value changes of redeemable convertible preferred shares, we believe that we are well-positioned to turn our IFRS loss position to an IFRS profit position within approximately 18 months after Listing.

Solid track record in displaying improved asset and cash flow positions

We had net liabilities of RMB989.8 million, RMB1.1 billion, RMB1.2 billion and RMB1.3 billion as of December 31, 2017, 2018, 2019 and as of September 30, 2020, respectively, primarily due to the redeemable convertible preferred shares of RMB1.3 billion, RMB1.9 billion, RMB2.1 billion and RMB2.2 billion as of December 31, 2017, 2018 and 2019 and as of September 30, 2020, resulting from our multiple rounds of Pre-IPO Investments and the fair value changes of the redeemable convertible preferred shares. We had net current liabilities of RMB1.4 billion and RMB1.4 billion as of December 31, 2019 and as of September 30, 2020, respectively, primarily due to the redeemable convertible preferred shares of RMB2.1 billion and RMB2.2 billion as of December 31, 2019 and as of September 30, 2020, resulting from the fair value changes of the redeemable convertible preferred shares. Our redeemable convertible preferred shares would be reclassified from liabilities to equity as a result of the automatic conversion into our Shares upon the Listing. Afterwards, we do not expect to recognize any further loss or gain on fair value changes from the convertible redeemable preferred shares and may (i) revert back to a net assets position from a net liabilities position, and (ii) revert back to a net current assets position from a net current liabilities position. See “Financial Information—Discussion of Certain Items in the Consolidated Statement of Financial Position” for more details.

Our operating cash flow has been improving during the Track Record Period. We had an operating cash outflow of RMB144.7 million in 2017 and had a positive operating cash inflow of RMB55.7 million, RMB63.0 million and RMB99.0 million in 2018, 2019 and for the nine months ended September 30, 2020, respectively. See “Financial Information—Liquidity and Capital Resources” for more details. Therefore, we expect that our asset position and operating cash flow will continue to improve.

On the basis of the factors set out above and the Company’s historic financial performance during the Track Record Period, nothing has come to the attention of the Joint Sponsors to cause them to doubt the reasonableness of our views above.

Health, Safety and Environmental Matters

We do not operate any production facilities. Therefore, we are not subject to significant health, safety or environmental risks. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after consultation with our legal advisors, adjust our human resources policies to accommodate material changes to relevant labour and safety laws and regulations. We strive to operate our workplace and data centres in a manner that protects the environment and the health and safety of our employees, patients and communities. We have implemented company-wide environmental, health and safety (EHS) standard operating procedures and conducted related training for our employees; environmental evaluations were conducted and environmental protection measures relating to emissions of air and wastewater generation and

treatment, as well as handling, use, storage, treatment and disposal of hazardous substances (if any) are trained and taken. Process of emergency reporting and response is established. Our EHS function is responsible for issuance of EHS guidelines, monitoring and enforcing the compliance of our operations with environment, health and safety laws and regulations. This responsibility is executed through formulation and implementation of strategies, policies, standards and metrics; communication of EHS policies and procedures; conducting EHS audits and incident response planning and implementation with a team of members of EHS committee. Occupational health check are organized. We have not had any significant workplace accidents in the history of our company. 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.

Corporate Social Responsibility

Since our founding, we have been highly committed to sustainable corporate responsibility projects, both through charitable endeavours and by extending the benefits of our ecosystem to the society at large. For example, in the fight against COVID-19 in China, we deployed our AI-enabled smart voicebot to assist more than 20 municipalities and provinces, which vastly enhanced their work and service efficiency of local communities and alleviated their burden of paperwork. This reflects our long-held belief that the best approach to corporate social responsibility is through embedding elements of social responsibility in our business model.

During the Track Record Period, our achievements and initiatives in the area of corporate social responsibility include the following:

- *COVID-19 relief effort.* In the fight against COVID-19 in China, we have used our expertise to help with the relief effort nationwide. For example, we deployed our AI-enabled smart voicebot to assist more than 20 municipalities and provinces, which vastly enhanced their work and service efficiency of local communities and alleviated their burden of paperwork. Meanwhile, we took the health and safety of our employees as our top priority. We provided all of our employees with masks and other protective equipment immediately after the outbreak. This reflects our long-held belief that the best approach to corporate social responsibility is through embedding elements of social responsibility in our business model.
- *Our people.* We continuously invest in the training and career development of young talents. We have always striven to provide our engineers and other employees with comprehensive social benefits, a diverse work environment and a wide range of career development opportunities. We are committed to providing a safe and healthy workplace, which is backed by strict policies, robust team member education and safety recognition awards, along with continued investments in technology. We support the physical and behavioural health and well-being of our team members and their families by providing an array of programs that help our people and their loved ones stay at their best level of health. Our workforce is as diverse as the community we serve, and we believe that everyone deserves respect. We are committed to the education, recruitment, development and advancement of diverse team members worldwide, and are recognised for our commitment to those efforts. We not only focus on the improvement of employees' professional development, but have made efforts to incentivise our employees to have a "sense of goals" and "sense of fulfilment". Additionally, we place special emphasis on the building of a talent pipeline and cohesive organisational culture. We have established a comprehensive system for employee training and development, covering leadership, general competencies, professional competencies, and others. Our comprehensive training program includes corporate culture, employee rights and responsibilities, team building, professional behaviour, job performance, management skills, leadership, and administrative decision-making.

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- *Public awareness education.* We have endeavoured to raise public awareness of financial security. For example, we regularly publish articles or videos on financial literacy including fraud avoidance.
- *Data privacy and protection.* We are committed to protecting personal information and privacy. We have established and implemented a strict company-wide policy on data aggregation and processing. See “—Our Data Privacy and Security” for more details.

Intellectual Property

We seek to protect our technology, including our proprietary technology infrastructure and core software system, through a combination of copyrights, trade secrets, trademarks and confidentiality and non-compete agreements. As of October 31, 2020, we had 4 issued patents in the PRC and 14 patent applications in the PRC, and held 114 registered copyrights for software or work of art, 40 registered domain names, including *www.brgroup.com*, and 111 registered trademarks.

We intend to protect our technology and proprietary rights vigorously, but there can be no assurance that our efforts will be successful. Even if our efforts are successful, we may incur significant costs in defending our rights. From time to time, third parties may initiate litigation against us alleging infringement of their proprietary rights or declaring their non-infringement of our intellectual property rights. See “Risk Factors—Risks Relating to Our Business—We may not be able to prevent others from making unauthorised use of our intellectual property” and “—We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations”.

We use a limited amount of software licensed by its authors or other third parties under so-called “open source” licenses. The material open source software we currently use include Hadoop, Hbase and zookeeper licensed from Apache, as well as java and MySQL from Oracle.

Use of open source software involves certain risks. See “Risk Factors—Our use of open source technology could impose limitations on our business operations” for a description of the potential risks of using open source software. To mitigate the potential compliance risks of using open source software, we have put in place necessary measures, such as (i) keeping an inventory of all the open source components that are being used in the development of our products and solutions and the open source components that are not compliant will not be incorporated into the product’s code base; and (ii) identifying the open source components in our products and solutions and match them to known vulnerabilities. In this way, we receive warnings that a component is vulnerable before we use it, preventing the need to remediate it later.

Competition

Leveraging our big data analytics capabilities, we believe we are positioned favourably against our competitors. See “—Our Strengths”. Our competitors include market intelligence solutions and financial risk management service providers and platforms that are affiliated with major internet companies, including search engine, social media, e-commerce and online payment companies. Our competitors may compete with us in a variety of ways, including by launching competing services, expanding their offerings or functionalities, conducting brand promotions and other marketing activities and making acquisitions. We believe that we have gained a significant first mover advantage in the market in which we operate, and it will be difficult for latecomers to establish relationships with FSPs or, more importantly, to generate sufficient user traffic.

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As we introduce new developer services and data products and services, as our existing solutions continue to evolve or as other companies introduce new products and services, we may become subject to additional competition. See “Risk Factors—Risks Relating to Our Business and Industry—We may not be able to compete successfully with our current or future competitors”.

Employees

We had 964 employees as of September 30, 2020. The following table sets forth the numbers of our employees categorised by function as of September 30, 2020:

	<u>As of September 30, 2020</u>
Function	
Sales and Marketing	196
Research and Development	512
Customer Service	82
General Administration	<u>174</u>
Total	<u>964</u>

Our insurance brokers receive commission-based compensation and are therefore not included in our employee counts.

As of September 30, 2020, we had 636 employees at our headquarters in Beijing, 85 employees in Shanghai, and 243 employees in various other places in China. Our success depends on our ability to attract, retain and motivate qualified employees. Pursuant to our employee training policy, our employees have ample opportunities to participate in training sessions, seminars and team-building activities.

As required by laws and regulations in China, we participate in various employee social security plans that are organised by municipal and provincial governments, including housing, pension, medical insurance and unemployment insurance. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. We had made sufficient contributions to the employee benefit plans as required under the relevant PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date.

We enter into standard confidentiality and employment agreements with our employees. The contracts with our key personnel typically include a standard non-compete covenant that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for two years after the termination of his or her employment; provided that we pay a certain amount of compensation during the restriction period.

We believe that we maintain a good working relationship with our employees, and we have not experienced any labour disputes. None of our employees are represented by labour unions.

Facilities and Properties

Our headquarter is located in Beijing, China, where we leased approximately 4,597 square metres of office space as of September 30, 2020. Our subsidiaries and consolidated affiliated entities leased approximately 22,600 square metres of office space as of September 30, 2020. We believe that all of our properties and facilities are well maintained.

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We currently lease and operate two data centres, which collectively host over 630 servers and are able to process 2TB volume of data on a daily basis. Our dual data centre system enables low latency and high throughput capabilities in the event of network failure and continuous high-load operation, ensuring a higher degree of data protection and service continuity. These data centres are owned and maintained by third-party data centre operators. We believe that our existing facilities are sufficient for our current needs and we will obtain additional data centres, principally through leasing, to accommodate our future expansion plans as needed.

As of the Latest Practicable Date, the lessors of certain of our leased properties in China failed to provide us with valid property ownership certificates or authorisations from the property owners for the lessors to sublease the properties and hence, our leased property interests under such properties may be defective. If such lessors do not have the relevant property ownership certificates or the right to lease or sublease such properties to us, the relevant rightful title holders or other third parties may challenge our use of such leased properties, and we may be forced to vacate these properties and be required to seek alternative properties for lease or choose to terminate the lease earlier while bearing the penalty of early termination under the lease. As of the Latest Practicable Date, we were not aware of any challenge made by a third party or government authority on the titles of any of these leased properties that might affect our current occupation. For risks relating to title defects in our leased properties, see “Risk Factors—Risks Relating to Our Business and Industry—Our rights to use our leased properties could be challenged by property owners or other third parties, which may disrupt our operations and incur relocation costs”.

As of the Latest Practicable Date, we have not registered our lease agreements with the relevant government authorities. The competent government authorities may order us to register the lease agreements in a prescribed period of time and impose a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease if we fail to complete the registration within the prescribed timeframe. As of the Latest Practicable Date, we were not aware of any notice or allegation of penalty from government authorities for our failure on the registration of lease agreements. Our PRC Legal Adviser has advised us that failure to complete the registration and filing of lease agreements will not affect the validity of such leases or impede our use of the relevant properties but could result in fines of up to RMB10,000 per leased property that is unregistered if we fail to rectify such noncompliance within the time frame prescribed by the relevant authorities. The maximum penalty that we may be liable in relation to the failure of registering lease agreements during the Track Record Period was approximately RMB750,000. For risks relating to registration defects in our leased properties, see “Risk Factors—Our leasehold interests in leased properties have not been registered with the relevant PRC governmental authorities as required by relevant PRC laws. The failure to register leasehold interests may expose us to potential fines.”

Insurance

We provide social security insurance, including pension insurance, unemployment insurance, work-related injury insurance and medical insurance, for our employees. We also purchased employer’s liability insurance and additional commercial health insurance to increase insurance coverage of our employees. We do not maintain property insurance policies covering our equipment and other property that are essential to our business operation to safeguard against risks and unexpected events. We do not maintain business interruption insurance or general third-party liability insurance, nor do we maintain product liability insurance or key-man insurance. We consider our insurance coverage to be sufficient for our business operations in China.

Legal Proceedings and Compliance***Legal proceedings***

We may from time to time become a party to various 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 and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Risk Management and Internal Control

We recognise that effective risk management and internal control are critical to ensure successful business operation. As such, we have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and are dedicated to continuously improving these systems. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as financial reporting, information system, internal control, human resources and investment management.

Financial reporting risk management

We have implemented a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, budget management policies, financial statement preparation policies and finance department and staff management policies. We have various procedures in place to implement accounting policies and our finance department reviews our management accounts based on such procedures. We also provide regular training to our finance department staff to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

As of September 30, 2020, our finance department consisted of 13 employees headed by Mr. Zhao Hongqiang, our executive Director and chief financial officer.

Information system risk management

Sufficient maintenance, storage and protection of our important data such as business and financial data and other related information is critical to our success. We have implemented relevant internal procedures and controls to ensure that our data is protected and that leakage and loss of such data is avoided. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of user data.

We have established an information system security management framework, including relevant internal control and risk management mechanisms to manage network security, data security, anti-virus

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measures, approval procedure for system changes, user management, system monitoring, incident management and business continuity assurance system. We have also released clear standards and requirements for data backup and archive, and put in place a procedure of periodical data validity testing.

We provide information security training to our employees and conduct ongoing trainings and 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 perform emergency drills on a regular basis.

As of September 30, 2020, our IT team is collectively responsible for our IT systems and infrastructure. Among other things, these include ensuring that the usage, maintenance and protection of user data are in compliance with our internal rules and the applicable laws and regulations.

Internal control risk management

We have designed and adopted internal control mechanisms and strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. We have established an internal control team which works under the supervision of our directors and senior management members to design and improve internal control mechanisms and works closely with our business units to (i) perform risk assessments and give advice on risk management strategies, (ii) improve business process efficiency and monitor internal control effectiveness, and (iii) promote risk awareness throughout our Company.

We have also designed our internal and external communication policies, which provide information categorisation rules, proper communication channels, confidential information management procedures, regulatory filing and public communication procedures.

In accordance with our procedures, our in-house legal department examines the contract terms and reviews all relevant documents for our business operations, including licences and permits obtained by counterparties to perform their obligations under our business contracts and all necessary underlying due diligence materials, before we enter into any contract or business arrangements.

We also have detailed internal procedures in place to ensure that our in-house legal department reviews our products and services, including upgrades to existing products, for regulatory compliance before they are made available to the general public. Our in-house legal department is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

For IP related issues, we have formulated policies to regulate the management of intellectual property rights such as computer software copyrights and trademarks. The in-house legal department and the administration department are jointly responsible for intellectual property-related management and compliance.

We continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Potential liabilities arising from our provision of services and internal control measures

Our provision of services could subject us to potential liabilities from time to time. Our PRC Legal Adviser's analysis on potential liabilities of our services and our Directors' views are set out below:

- *With respect to data analytics services:* We provide data analytics services to our FSP clients, which support their pre-lending risk management, post-lending monitoring, NPL management and life and auto insurance risk management. It is, however, our FSP clients who independently determine whether to provide a financial or insurance product to customers. We are not a party to the contract between the end customers and our FSP clients nor do we provide any guarantee to our FSP clients that the end customers will duly perform their contracts with our FSP clients. During the Track Record Period, less than 1% of the total number of contracts that are still effective explicitly required us to compensate the FSPs in accordance with the contract if any false data is provided by us. We have implemented sufficient internal control procedures and performed the best endeavour to ensure the accuracy of the data and the we have never provided any false data to the FSP clients and the we do not intend to do so in the future. Based on the above, our Directors are of the view and our PRC Legal Adviser is of the opinion that except for foregoing liability, we would not be responsible for any default by an end customer including failure in the repayment of a loan or other disputes between an end customer and the FSP clients, and thus would not bear any responsibilities and liabilities for any failures in, and/or disputes and losses of either the FSPs or end customers arising from our data analytics services.
- *With respect to precision marketing services:* We provide precise matching and recommendation through Banyan, under which we recommend the end customers to the FSP clients which will determine at their own discretion whether to provide such financial products to the recommended end customers. We are not a party to the contract between the end customers and our FSP clients nor do we provide any guarantee to our FSP clients that the end customers will duly perform their contracts with our FSP clients. In addition, according to our user agreement with the end customers registered on Banyan, the end customers have agreed that any dispute arising from the contracts between the FSP clients and the customers should be solved by and between the FSP clients and the customers. Separately, pursuant to the PRC Advertising Law (中華人民共和國廣告法), an advertiser like our FSP client is primarily responsible for any false advertisements that caused harm to a consumer and an advertising agency would only be held liable for such advertisement if it does not provide accurate information on the name, address or valid contact details of the advertiser. As a "recommendation platform", Banyan is deemed to be an advertising agency and may be held liable in case of a false advertisement if it does not provide accurate information of an advertiser or if it knew or "should have known" that the advertisement is false. We have implemented internal control procedures to insure that real name, address or valid contact details of each FSP as required under the PRC Advertising Law are published. Based on the above, our Directors are of the view and our PRC Legal Adviser is of the opinion that we would not be responsible for any default by an end customer including failure in the repayment of a loan or other disputes between an end customer and the FSP clients, and thus would not (i) bear any responsibilities and liabilities for any failures in, and/or disputes and losses of either the FSPs or end customers arising from financial products recommended on Banyan, (ii) bear any responsibilities and liabilities as an advertising agency even if the advertisement of a financial product was found to be false unless we knew or should have known that the advertisement is false.
- *With respect to insurance distribution services:* Liming is an insurance broker which provides intermediary services for conclusion of an insurance contract between a policyholder and an insurance company for the benefit of the relevant customers. According to the PRC Insurance

Law, an insurance broker is liable for compensation of damages arising from his/her own mistake(s) which causes a policyholder or an insured party to suffer from damages.

Under the PRC Civil Code, which became effective on January 1, 2021, the relationship between Liming and the policyholder is defined as a commission contractual relationship. Liming shall only be liable to compensate the policyholder in the event that a policyholder suffers any loss due to Liming's fault. The relationship between Liming and an insurance company is a general contractual relationship and Liming shall continue to perform its obligations, take remedial measures, or compensate for losses in the event that Liming breaches its contract with the insurance company. Based on the above, our Directors are of the view and our PRC Legal Adviser is of the opinion that, we would not bear any responsibilities and liabilities for any loss of customers and/or incurred by the insurance companies unless such loss was caused by our fault.

We have adopted the following measures to mitigate the associated risks and handle potential disputes:

- *With respect to data analytics services:* we have adopted a series of steps to ensure the accuracy and the stability of the data analytics service. Please refer to the relevant disclosure in the section headed "Business—Our Data Insights" of the Prospectus.
- *With respect to precision marketing services:* we have adopted a high screening standard and requirements for the FSP clients' posting of product information on the Banyan, which include, amongst other things, legal and valid incorporation of the FSP client and due compliance with the applicable laws and regulations. The following companies are also strictly prohibited from becoming a client of the Banyan: (i) predatory lending companies, (ii) debt collection companies, (iii) data resell companies which do not obtain individual's prior consent, and (iv) clients with material negative news. Furthermore, we have adopted a series of review procedures to evaluate the FSP clients, which include but not limited to (i) client reviews, under which our staff will conduct client due diligence and assess the eligibility of the potential FSP client based on the review of, among other things, client's business license, qualification/permit, business illustration, cooperation agreement with funding party, fund custody agreement with bank, (ii) periodic review, under which we review the existing FSP clients in the first week of each quarter and determine whether to extend or discontinue the existing client-relationship, and (iii) continuing inspection, under which we inspect the business of the existing FSP clients on an on-going basis and will terminate the existing client-relationship once we discover such client no longer meets its eligibility.
- *With respect to insurance distribution services:* Liming has adopted the Interim Measures on Regulation Concerning the Insurance Sales Person's Act in Liming Insurance Brokerage Co., Ltd. (黎明保險經紀有限公司保險銷售人員行為管理規定 (暫行)) which requires Liming's sales persons (i.e., the insurance brokers) to fully inform the policyholders of all necessary information for the execution of insurance contracts, and to provide insurance brokerage service based on the actual situation. Any sales person who committed an illegal act shall be punished and his/her sales commission contracts with Liming may be terminated at Liming's discretion and such sales person shall be liable for compensation for any damages which Liming suffered as a result of his/her act. Additionally, Liming also purchased professional liability insurance to cover the potential liability or responsibility arising from its business operation.

Complaint Handling Procedures

To ensure the quality of our client service, enhance client satisfaction and reduce the occurrence of complaints, we have established comprehensive complaint handling procedures, which set forth our internal procedures to timely follow up with and resolve any complaint FSP clients, users of Banyan or insurance product purchasers of Liming may have from time to time.

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Once we receive a complaint from an FSP client, a user of Banyan or an insurance product purchaser of Liming, our client service representative will make an initial determination on whether the issue can be resolved at that moment. If it is, the complaint will be addressed by our operations team immediately, and the client will be informed promptly afterwards. If the issue is not of a type that can be resolved instantly, the client service representative will make a determination on whether the issue is one of human error or product problem. If the former, the client service representative will communicate with the relevant business department and make changes as appropriate. If the latter, the client representative will communicate with the relevant product development team, who will be responsible for identifying the issue and fixing the bug within the product. Once the product issue has been resolved, the product development team will notify the client service representative to provide timely feedback to the client.

Board oversight

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have established an audit committee to review and supervise our financial reporting process and internal control system and monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The audit committee consists of three members, namely Zhou Hao, Bai Linsen and Chen Zhiwu. Zhou Hao and Chen Zhiwu are independent non-executive directors and Bai Linsen is a non-executive director. Zhou Hao is the chairman of the audit committee. For the professional qualifications and experiences of the members of our audit committee, see “Directors and Senior Management”.

We have also established an internal audit department which is responsible for reviewing the effectiveness of risk management policies and reporting to the audit committee on any issues identified. Our internal audit department members hold regular meetings to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The internal audit department reports to the audit committee to ensure that any major issues identified thus are channelled to the committee on a timely basis. The audit committee then discusses the issues and reports to the Board if necessary.

Ongoing measures to monitor the implementation of risk management policies

Our audit committee, internal audit department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

Licences and Permits

Our PRC Legal Advisor has advised that during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licences, permits, approvals and certificates from the relevant government authorities that are material for our business operations. Our PRC Legal Advisor is of the view that we had complied with all relevant applicable PRC Laws relating to the required permits and licences to our online business in all material respects during the Track Record Period. The following table sets forth details of our material licences and permits.

<u>Licence/Permit</u>	<u>Holder</u>	<u>Issuing Authority</u>	<u>Grant Date</u>	<u>Expiration Date</u>	<u>Description</u>
ICP licence	Beijing Bairong	Beijing Communication Administration	2020.06.23	2025.06.23	Information service business (internet information service only)

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<u>Licence/Permit</u>	<u>Holder</u>	<u>Issuing Authority</u>	<u>Grant Date</u>	<u>Expiration Date</u>	<u>Description</u>
ICP licence	Guangzhou Shurong Internet Micro-lending Co., Ltd.	Guangdong Communication Administration	2018.09.27	2023.09.27	Information service business in the second value-added telecommunication business (internet information service only)
Business Licence for Insurance Brokerage	Liming	Beijing Bureau, CBIRC	2020.03.11	2023.01.28	Prepare insurance plans, select insurers, and conduct insurance procedures nationwide (excluding Hong Kong, Macau SAR, and Taiwan) for the applicant; assist the insured or beneficiaries in making claims; reinsurance brokerage business; provide disaster prevention, loss prevention, or risk assessment, risk management consulting services for client; other business approved by the CBIRC

Our PRC Legal Advisor has advised us that to their best knowledge, there is no legal impediment to renew such licences and permits, as long as we comply with the relevant legal requirements and provided that we take all necessary steps and submit the relevant applications in accordance with the requirements and schedule prescribed by the applicable laws and regulations of the PRC.

For more information about the laws and regulations to which we are subject, see “Regulations”.

Awards and Recognition

During the Track Record Period, we have received recognition for the quality and popularity of our products and services. Some of the significant awards and recognition we or our senior management have received are set forth below.

<u>Award/Recognition</u>	<u>Award Year</u>	<u>Awarding Institution/Authority</u>
China Innovation Model of 2019	2019	People’s Daily
“13th Five-Year Plan” High-tech Leading Case	2019	Liaowang Institution
36Kr King of Fintech	2019	WISE2019 New Economic Summit
China Financial Innovation Award of 2019—Intelligent Risk Control System—Top 10 Intelligent Risk Control Innovation Award	2019	Institute of Finance, Chinese Academy of Social Sciences
China’s Leading Fintech Enterprise of 2019	2019	China Financial Technology Forum
Top 50 Chinese High-tech and High-growth Companies	2018	Deloitte
Chinese Financial Institution Gold Medal List of 2018—The Best Fintech Innovation Company of the Year	2018	Financial News
21 Future Star—The Emerging Company with Most Growing Potentials of 2018—Top 100 Future Stars of China Entrepreneurs	2018	China Entrepreneurs
Leading Enterprise in Fintech Application of 2018	2018	China Financial Summit
Best Fintech Technology Innovation Award of 2017	2017	Zhongguancun Internet Finance Institute
China Fintech Innovation List	2017	Securities Times
Top 50 Chinese Leading Fintech Enterprises	2016-2019	KPMG
Best Growing Potential Award	2015	China Finance Summit

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BACKGROUND

We currently conduct our data analytics services, precision marketing services and insurance distribution services (the “**Relevant Businesses**”) through our Consolidated Affiliated Entities in the PRC as PRC Laws, or their implementation by relevant government authorities, generally prohibit or restrict foreign ownership in the Relevant Businesses. Currently, PRC Laws restrict foreign ownership of value-added telecommunications service providers (in addition to imposing a qualification requirement on the foreign owners).

As a result of the restrictions imposed by PRC Laws, we are unable to own or hold any direct equity interest in our Consolidated Affiliated Entities. Accordingly, the term ‘ownership’ or the relevant concept, as applied to our Company in this document, refers to an economic interest in the assets or businesses through the Contractual Arrangements without holding any equity interest in our Consolidated Affiliated Entities. The Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from our Consolidated Affiliated Entities, are narrowly tailored to achieve our business purpose and minimise the potential for conflict with relevant PRC Laws.

In order to facilitate the reorganisation and as further detailed in “History, reorganisation, and corporate structure—Reorganisation—Contractual Arrangements”, Tianjin Saiji Technology Co., Ltd. (“**Tianjin Saiji**”) executed letters of confirmation on September 16, 2020, pursuant to which it agreed to be bound by the terms and conditions of the Contractual Arrangements, following the transfer of equity interest in Onshore Holdco by certain then registered shareholders as part of the reorganisation.

PRC LAWS RESTRICTING FOREIGN OWNERSHIP OF THE RELEVANT BUSINESSES

Data analytics and precision marketing services

Pursuant to the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Edition) (外商投資准入特別管理措施(負面清單) (2020)) (the “**Negative List**”), provision of value-added telecommunications services falls within the ‘restricted’ category. As such, the shareholding percentage of a foreign investor in companies engaged in value-added telecommunications services shall not exceed 50%. Moreover, pursuant to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法), a provider of ‘operational internet information services’ (namely services involving the provision of information or website-design services through the internet to internet-users for a fee) is required to obtain an ICP licence. See “Regulations—Regulation on Foreign Investment” for details of limitations on foreign ownership in PRC companies conducting value-added telecommunications services.

Since our data analytics and precision marketing businesses involve the operation of commercial internet information services, which is a sub-category of valued-added telecommunications business, for which an ICP licence is required, our data analytics and precision marketing businesses are subject to foreign ownership restrictions. Therefore, our data analytics and precision marketing services are conducted by, and ICP licences are held by, Beijing Bairong and Guangzhou Shurong Internet Micro-lending Co., Ltd..

Insurance distribution services

We offer insurance distribution services through Liming and its brokers. Although insurance distribution services are not strictly subject to foreign investment restrictions, our insurance distribution services are fully integrated with our underlying data analytics and customer relationship

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management systems and cannot be separated from such systems as explained below. Given that the operations of our insurance distribution services are integrated with the data analytics infrastructure, which requires an ICP licence, and they are highly interconnected, correlated and inseparable from each other, it is necessary for the Company to operate our insurance distribution business under the Contractual Arrangements and we are of the view that the Contractual Arrangements remain narrowly tailored for the reasons below:

- The core of Liming’s one-stop insurance distribution service is our proprietary “Liming Box” mobile app, a mobile based data-driven customer relationship management platform, which we systematically revamped in order to apply our proprietary algorithms to elevate the functions of the services offered by the existing insurance distribution business as well as gain access to valuable data insights. The app integrates insurance-specific customer relationship management systems with the Group’s core big data and AI technology to cover the full life cycle of an insurance policy. Among other things, this enables insurance brokers to upload documents to complete KYC (know your customer) processes, record ongoing customer interactions and profile information, make use of the Group’s internal risk assessment and product recommendation algorithms and gain insights from the Company’s other proprietary data analytics tools. See also “Business—Our products and services” for details of our insurance distribution business.
- Following the acquisition in 2017, the operating systems of Liming’s insurance distribution business were integrated with and now rely upon the same underlying data analytics infrastructure as the Group’s data analytics and precision marketing businesses. This infrastructure constitutes a value-added telecommunications service subject to foreign investment restrictions.
- Separating the insurance distribution business would fundamentally undermine the insurance distribution business. The integrated data analytics and information storage capabilities underlines the competitive advantage of our insurance distribution business—that we are able to leverage our Group’s core big data and AI technology to provide superior insurance distribution services, such as through better risk and credit assessment of consumers, improved monitoring and predictive capabilities, and more precise customisation. While our data analytics business makes use of information and big data generated through our insurance distribution services to continuously refine our algorithms and generate more accurate insights, our insurance distribution services also rely upon the insights and information accumulated through our data analytics services in order to improve its service offerings, especially since a number of our existing FSP clients also include other insurance companies. This mutually symbiotic relationship between our insurance distribution business and our data analytics business reflects the complete integration of the acquired insurance distribution business into our operations, making it practically inseparable from our remaining data analytics business.
- From a technological support perspective, there is only one unified technical support service across our three businesses in order to maximise efficiencies and economies of scale. The integration of technical support extends to the entire data infrastructure including the insurance distribution business. As the insurance distribution business (including the proprietary Liming Box data platform) has been fully integrated and currently operates as one of our core business segments, the insurance distribution business segment enjoys full support from our proprietary technology and self-owned data centres. Therefore, it is technologically impossible to separate the insurance distribution from our data analytics and precision marketing businesses without fundamentally changing our business models and operations, which might adversely affect our business operations and the quality of services offered.
- During a consultation with the officials of the Information and Communication Management Office of Beijing Communications Administration of the MIIT in August 2020, the Company was

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advised that the carrying out of value-added telecommunications businesses requires an ICP licence and it is practically unable to obtain an ICP licence through a Sino-foreign equity joint venture or wholly-owned foreign invested entity. Moreover, as a matter of fact our insurance distribution business is fully integrated into our value-added telecommunications infrastructure. Therefore, our PRC Legal Adviser agrees that our insurance distribution services, which are integrated with our value-added telecommunications business, also need to be held through Contractual Arrangements.

Qualification Requirements under FITE Regulations

Article 10 of the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the “**FITE Regulations**”) further provides that a major foreign investor which invests in a value-added telecommunications business in the PRC must possess prior experience in, and a proven track record of good performance of, operating value-added telecommunications businesses overseas (the “**Qualification Requirements**”). Foreign investors that meet these requirements must obtain approvals from the MIIT which retain discretion in granting such approvals.

The MIIT issued a Guidance Memorandum on the Application Requirements for Establishing Foreign-invested Value-added Telecommunications Enterprises in the PRC (外商投資經營電信業務審批服務指南) (“**Guidance Memorandum**”). According to this Guidance Memorandum, a foreign investor applicant is required to provide, as proof of the satisfaction of the Qualification Requirements, a description of the value-added telecommunications services previously provided by itself or its direct shareholder, supported by, among other things, screenshots of licence and filings previously obtained and websites and apps previously operated, as well as previous telecommunication business licences issued by the relevant local authorities (unless where no licence is required in the relevant jurisdiction). The Guidance Memorandum, however, does not provide any further guidance on the proof, records or documents required to support the proof satisfying the Qualification Requirements.

On August 14, 2020, with the assistance of our PRC Legal Adviser, we consulted the officials of the Information and Communication Management Office of Beijing Communications Administration of the MIIT, being a competent authority as advised by our PRC Legal Adviser to confirm the matters relating to the Contractual Arrangements and our ICP licences. We were advised that:

- (i) foreign investors are prohibited from holding more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services;
- (ii) no implementing measures or specific guidance were promulgated pursuant to the Qualification Requirements;
- (iii) our data analytics and precision marketing businesses are value-added telecommunications businesses and are required to hold ICP licences;
- (iv) our current ICP licence would be withdrawn if we were invested in or held by any foreign investors;
- (v) the application by any foreign investor for ICP licences is subject to thorough substantive examination and discretion by the MIIT, and it will be rather difficult for any foreign investor to obtain an ICP licence; and
- (vi) our Contractual Arrangements require no approvals from the Information and Communication Management Office of Beijing Communications Administration of the MIIT and are not in violation of the current PRC laws and regulations.

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Furthermore, with the assistance of our PRC Legal Adviser, we made a public consultation with MIIT on September 1, 2020, to confirm the infeasibility of a foreign investor investing in Guangzhou Shurong Internet Micro-lending Co., Ltd.. MIIT, as the regulatory authority for telecommunication administration at the national level, is responsible for the examination and approval of the investment and operation of telecommunication businesses by foreign investors, and is a competent authority as advised by our PRC Legal Adviser to confirm such matters. We were advised that:

- (i) we currently are practically unable to obtain an ICP licence through any sino-foreign equity joint venture or wholly-owned foreign investment entity;
- (ii) no implementing measures or specific guidance were promulgated pursuant to the Qualification Requirements; and
- (iii) the ICP licence currently held by Guangzhou Shurong Internet Micro-lending Co., Ltd. would need to be withdrawn and a new ICP licence applied for with MIIT if Guangzhou Shurong Internet Micro-lending Co., Ltd. were to be invested in by a foreign investor.

On February 3, 2021, our PRC Legal Adviser and PRC legal adviser of the Joint Sponsors conducted a face-to-face consultation with an officer of the MIIT, who confirmed that, in the case of our Company, we will not be granted an ICP licence even if we meet the Qualification Requirements. As advised by our PRC Legal Adviser, the MIIT is the issuing authority for applications of ICP licence by Sino-foreign equity joint ventures and wholly-owned foreign investment entities. The official duties of the interviewed official include the formulation of regulatory policies in, and the regulation of, value-added telecommunication services (including the regulatory policies on applications for ICP licence from Sino-foreign equity joint ventures and wholly-owned foreign investment entities) in the PRC. In light of the foregoing, our PRC Legal Adviser is of the view that the MIIT is the competent authority to give the above confirmation.

Based on the results of the MIIT interviews, our PRC Legal Adviser has advised that the Laws are currently uncertain as to what specific criteria must be met by a foreign investor in order to demonstrate to the relevant authority that it meets the Qualification Requirements. Moreover, our PRC Legal Adviser has advised that no applicable PRC Laws have provided clear guidance or interpretation on the Qualification Requirements, and foreign investors' fulfilment of the Qualification Requirements remains ultimately subject to substantive examination of the MIIT. Based on the above, our PRC Legal Adviser is of the view that we currently are practically unable to obtain an ICP licence through any sino-foreign equity joint venture or wholly-owned foreign investment entity even if we meet the Qualification Requirements.

Plan to comply with the Qualification Requirements

Notwithstanding the above, we have adopted a specific plan and will continue to expend genuine efforts and financial resources towards meeting the Qualification Requirements. We will remain abreast of any regulatory developments and continuously assess whether we meet the Qualification Requirements, with a view to unwinding the Contractual Arrangements wholly or partially as and when practicable and permissible under the prevailing PRC Laws.

We are implementing a business plan with a view to building up a track record of overseas telecommunication business operations. We believe that such business plan represents our commitment and a meaningful endeavour to demonstrate compliance with the Qualification Requirements. The Company is in the process of expanding its overseas value-added telecommunications business through

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its offshore subsidiaries. In particular, we have taken the following concrete steps to ensure compliance with the Qualification Requirements:

- (a) we have registered a number of global top-level domain names (including “brgroup.com”) outside of the PRC, and have constructed an English website that will help potential overseas users to better understand the Company’s services and businesses;
- (b) we have registered a trademark outside of the PRC (namely “百融雲創”) and are in the process of registering a number of overseas trademarks for the promotion of the Company’s services and businesses overseas;
- (c) we have established three subsidiaries in Hong Kong (namely Bairong HK Limited, Baoshu Tech Limited and Banyan HK Limited) for the purpose of registering and holding overseas intellectual properties, promoting the Company’s services and businesses, and entering into business contracts with offshore counterparties; and
- (d) through our aforementioned offshore subsidiaries, we have been exploring business opportunities for the Relevant Businesses in overseas markets.

We had expended approximately RMB10,000 in connection with our plan as of the Latest Practicable Date. The officer from the MIIT also confirmed that the above steps are generally deemed helpful to prove that the Qualification Requirements have been fulfilled. Based on the above, and subject to the discretion of competent authority, our PRC Legal Adviser is of the view that the above steps are generally regarded as relevant and reasonable factors to prove that the Qualification Requirements have been fulfilled.

We will communicate with the relevant authorities on a regular basis following the Listing to keep abreast of any regulatory developments, and assess whether we are qualified to meet the Qualification Requirement. We will disclose our efforts and actions taken to comply with the Qualification Requirements and updates to the Qualification Requirements in our annual and interim reports to inform the public investors after the Listing as and when appropriate.

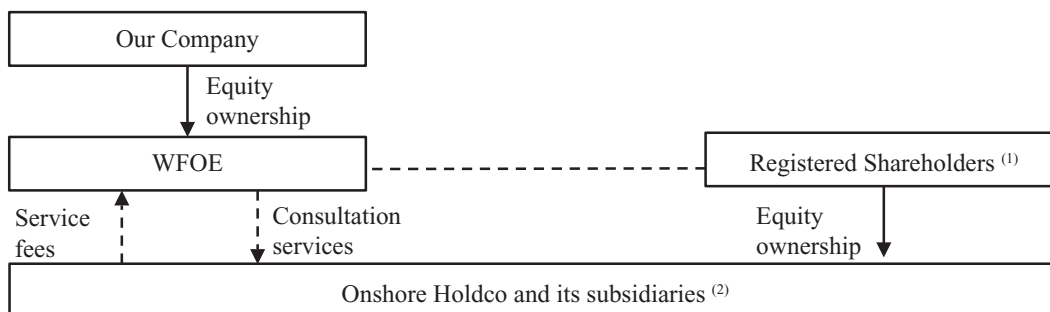
Circumstances in which we will unwind the Contractual Arrangements

We will unwind and terminate the Contractual Arrangements as soon as practicable in respect of the Relevant Businesses, to the extent permissible, and we will directly hold the maximum percentage of ownership interest permissible under the relevant PRC Laws if the relevant government authority grants ICP licences to the sino-foreign entities currently held and to be established by our Company. In this event, WFOE will exercise its rights under the Exclusive Purchase Option Agreement to unwind and terminate the Contractual Arrangements to the extent permissible and we will directly operate the Relevant Businesses without using the Contractual Arrangements.

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The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group under the Contractual Arrangements:



Notes:

- (1) The current registered shareholders of Onshore Holdco are Mr. Zhang Shaofeng, Mr. Su Meng, Mr. Bai Linsen, Xinyu Bulu Weier Internet Investment Partnership (L.P.) (an entity controlled by Mr. Zhang), Zhuhai Gaoling Tiancheng Equity Investment Fund (L.P.) (an affiliate of HH BR-I Holdings Limited), Guangzhou Zhangsu Investment Consulting Co., Ltd. (an affiliate of IDG-Accel China Growth Fund III L.P. and IDG-Accel China III Investors L.P.), Tianjin Bairong Tongchuang Enterprise Management Consulting Center (L.P.) (corresponding vehicle of GeniAI Tech Ltd.), Zhuhai Gaoling Zhiyuan Asset Management Center (L.P.) (an affiliate of HH BR-III Holdings Limited), Shenzhen Zhongjin Qianhai Bole No.4 Fund Partnership (L.P.) (an affiliate of Qianhai Golden Bridge IV LP), Zhuhai Gaoling Xinyuan Asset Management Center (L.P.) (an affiliate of HH BR-II Holdings Limited), Qingdao Guoxin Shenghua Equity Investment Management Partnership (L.P.) (an affiliate of CRF Summit Investment Limited and Waterdrop Investment Limited), Shanghai Heyu Investment Management Co., Ltd. (an affiliate of Wu Capital Limited), Ningbo Shangqi Huijin Culture Investment Center (L.P.) (an affiliate of Sunkiss Capital International Holdings Limited), Tianjin Lingli Haijun Enterprise Management Consulting Partnership (L.P.) (an affiliate of Maggie & Tony Limited and Baywise Capital Limited Partnership), and Tianjin Saiji Technology Co., Ltd. See “Statutory and general information—Further information about our business—Summary of material contracts” for details of the then registered shareholders as at June 27, 2019 and “History, reorganisation, and corporate structure” for details of the reorganisation relating to our Contractual Arrangements as well as our Pre-IPO Investors. As part of the Reorganisation, offshore affiliates of the registered shareholders of Onshore Holdco became shareholders of the Company, conversely the registered shareholders are onshore affiliates of shareholders of the Company.
- (2) These include certain companies which do not currently carry out any business operations but are intended to carry out businesses which are subject to foreign investment restrictions in accordance with the Negative List. These subsidiaries are not expected to have commenced any substantive business operations by the time of the Listing. The net asset value of these subsidiaries only account for less than 2% of those of the Group as at September 30, 2020 and, save as already disclosed in Appendix V (namely 6 trademarks and a domain name), they do not hold any assets, intellectual property rights or proprietary technologies that are or may be material. For further details of the subsidiaries of the Onshore Holdco, see “History, reorganisation and corporate structure—Corporate structure”.
- (3) “—>” denotes direct legal and beneficial ownership in the equity interest.
- (4) “- - ->” denotes contractual relationship.
- (5) “-----” denotes the control by WFOE over the Registered Shareholders and the Onshore Holdco through (i) powers of attorney to exercise all shareholders’ rights in the Onshore Holdco, (ii) exclusive options to acquire all or part of the equity interests in the Onshore Holdco and (iii) equity pledges over the equity interests in the Onshore Holdco.

Summary of the material terms of the Contractual Arrangements

Exclusive Consulting Services Agreement

WFOE and Onshore Holdco entered into an exclusive consulting services agreement on June 27, 2019 (the “**Exclusive Consulting Services Agreement**”), pursuant to which Onshore Holdco agreed to engage WFOE as the exclusive provider to Onshore Holdco and its subsidiaries of management, consultancy, technical support, business support, and equipment services, which may include:

- (i) formulation of enterprise management models and business plans;
- (ii) standardisation of enterprise, establishment of management system and integration of business modules;
- (iii) establishment of a sound business process management;

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- (iv) provision of daily operations, financial, investment, assets, debt, human resources, internal information services and other management and advisory services;
- (v) provision of opinions and suggestions on the assets and business operation;
- (vi) provision of opinions and suggestions on the negotiation, execution and performance of material contracts;
- (vii) provision of opinions and suggestions on mergers and acquisitions or other expansion plans;
- (viii) formulation of market development plans;
- (ix) conduct of special industry and market study and research;
- (x) provision of vocational and pre-job training services to staff; and
- (xi) other services requested from time to time.

Without the WFOE's prior written consent, Onshore Holdco shall not, and shall procure its subsidiaries not to, receive services which are identical or similar to the services covered by the Exclusive Consulting Services Agreements from any third party.

In consideration of the services provided by WFOE, Onshore Holdco shall pay services fees to WFOE, which, subject to WFOE's adjustment at its sole discretion, shall consist of all of the profit before taxes of Onshore Holdco. The service fees shall be paid annually by Onshore Holdco upon receipt of invoice issued by WFOE.

WFOE has the exclusive and proprietary rights to all intellectual properties developed by Onshore Holdco and enjoys all the economic benefits generated from such intellectual properties.

The Exclusive Consulting Services Agreement shall remain effective and is automatically renewed until, among others, WFOE informs Onshore Holdco of its unwillingness to renew no later than 30 days prior to the end of each term.

Exclusive Purchase Option Agreement

WFOE, Onshore Holdco and the then registered shareholders entered into an exclusive purchase option agreement on June 27, 2019 (the "**Exclusive Purchase Option Agreement**"), pursuant to which WFOE or its designee was granted an irrevocable and exclusive right to purchase (i) from each of the registered shareholders all or any part of their equity interests in Onshore Holdco and/or (ii) from Onshore Holdco all or any part of its assets or interests in any of its assets.

Unless with prior written consent by WFOE, shareholders of Onshore Holdco and Onshore Holdco shall not sell all or any part of, offer to sell, transfer, grant, pledge or otherwise dispose of the shares or assets, or authorise any other person to purchase all or any part of the shares or assets of Onshore Holdco.

The purchase price payable by WFOE or its designee in respect of the transfer of shares or assets shall be the lowest price permitted under PRC Laws, and the Registered Shareholders shall return the purchase price in full to WFOE or its designee.

The Exclusive Purchase Option Agreement shall remain effective until, among others, WFOE or its designee acquire all the equity interest in and/or all assets of Onshore Holdco.

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Onshore Holdco and the Registered Shareholders, among other things, have covenanted that:

- (i) without WFOE's prior written consent, they shall not amend the business scope or articles of association of Onshore Holdco, or change its registered capital or capital structure in any way;
- (ii) they shall maintain Onshore Holdco's corporate existence and operate its business and handle its affairs prudently and efficiently, and shall not cause Onshore Holdco to be subject to liquidation, wind-down, termination or dissolution;
- (iii) without WFOE's prior written consent, they shall not sell, transfer, grant, pledge or otherwise dispose, or procure the management to sell, transfer, grant, pledge or otherwise dispose, legal or beneficial interest in any asset, business or revenues of Onshore Holdco and its subsidiaries at any time;
- (iv) they shall not terminate or procure the management to terminate any Contractual Arrangements executed by Onshore Holdco, or execute any agreements that conflict with the Contractual Arrangements;
- (v) they shall not incur or allow Onshore Holdco to incur any debts, other than: (i) debt incurred in the ordinary and normal course of business; and (ii) debt that is disclosed and agreed to by WFOE in writing;
- (vi) they shall maintain the ordinary business operations of Onshore Holdco so as to maintain the value of the assets of Onshore Holdco, and shall not take any action or omission which could have an adverse effect upon its business operation or asset value;
- (vii) they shall obtain WFOE's prior written consent before Onshore Holdco enters into any material contract other than contracts entered into in the ordinary and normal course of business;
- (viii) subject to applicable Laws, Onshore Holdco shall not provide any loans or securities to any person without WFOE's prior written consent;
- (ix) WFOE may require Onshore Holdco to provide to WFOE or its designated persons all information relating to labour, operation, compliance and financial status of Onshore Holdco;
- (x) without WFOE's prior written consent, they shall not procure or consent Onshore Holdco to divest, or merge or form a joint venture with any entities, or acquire any entities or be acquired by any person or entities, or make investment in any entities;
- (xi) at the request of WFOE, they shall each purchase and maintain insurance for the assets and business of Onshore Holdco from an insurance company in line with the requirements of WFOE;
- (xii) they shall immediately notify WFOE and take all necessary actions pursuant to the reasonable requirements of WFOE when there are lawsuits, arbitrations or administrative procedures which will occur or may occur relating to the assets, business and revenues of Onshore Holdco;
- (xiii) they shall execute all necessary or proper documents, take all necessary or proper actions, propose all necessary or proper claims, or conduct all necessary and proper defence against all claims of indemnifications;
- (xiv) if WFOE is prevented from exercising the option under the Exclusive Purchase Option Agreement due to a failure by the Registered Shareholders or Onshore Holdco to fulfil their tax duties under applicable Laws, WFOE has the right to require Onshore Holdco or the Registered Shareholders to perform such tax duties, or require Onshore Holdco or Registered Shareholders to pay the tax to WFOE for payment of such tax on its behalf; and
- (xv) without WFOE's prior written consent, Onshore Holdco shall not pay any bonuses, dividends, distributable interests and/or any assets and other earnings generated from the shares held by the

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Registered Shareholders in any form. If the Registered Shareholders receive any such interest, they shall notify WFOE and transfer the applicable earning immediately to WFOE without consideration within three business days.

The Registered Shareholders, among other things, have further covenanted that:

- (i) without WFOE's prior written consent, they shall not sell, transfer, pledge or dispose legal or beneficial interest in Onshore Holdco, or impose any encumbrances on such rights and interests, other than creation of the pledge, delegation and exclusive purchase option of Onshore Holdco shares pursuant to the Contractual Arrangements;
- (ii) without WFOE's prior written consent, they shall not vote for or support, or execute any resolution at shareholders' meetings of Onshore Holdco to approve the sale, transfer, pledge, or disposal of legal or beneficial interest of any shares or assets, or allow creation of any encumbrances thereon, other than to WFOE or its designated persons;
- (iii) without WFOE's prior written consent, they shall not vote for or support, or execute any resolution at shareholders' meetings of Onshore Holdco to approve a merger, or consolidation, or acquisition by any person, or divestment of Onshore Holdco, or change in registered capital or its corporate status;
- (iv) when WFOE exercises the exclusive purchase option, they shall instruct Onshore Holdco to convene a shareholders' meeting, and shall vote in favour of the transfer of the shares or assets in accordance with the Exclusive Purchase Option Agreement at such meeting;
- (v) they shall immediately notify WFOE of any lawsuits, arbitrations, or administrative procedures relating to its shares or assets which have occurred or may occur;
- (vi) without WFOE's prior written consent, they shall not appoint or replace any directors, supervisors, or any managers of Onshore Holdco who shall be appointed by Registered Shareholders, and once requested by WFOE, they shall appoint or hire the Person designated by WFOE immediately to be the directors and senior executives of Onshore Holdco;
- (vii) without WFOE's prior written consent, they shall procure Onshore Holdco not to pay dividends, interests of shares, distributable interests and/or any assets and other earnings of shares held by Registered Shareholders in any form; and
- (viii) they shall abide strictly by the Contractual Arrangement, perform the obligations under such agreements effectively, and not take any actions or omissions which may adversely affect the validity and enforceability of such agreements.

Equity Pledge Agreement

WFOE, Onshore Holdco and the then registered shareholders entered into an equity pledge agreement on June 27, 2019 (the "**Equity Pledge Agreement**"), pursuant to which, the then registered shareholders pledged all of their respective equity interests in Onshore Holdco to WFOE as collateral security to guarantee performance of their contractual obligations under the Contractual Arrangements and all liabilities, monetary debts or other payment obligations arising out of or in relation with the Contractual Arrangements.

Among others things, the Registered Shareholders have warranted and undertaken that without WFOE's prior written consent, (i) they shall not transfer or otherwise dispose of the pledged shares, and (ii) all of their actions relating to purported transfer of the pledged shares shall be invalid.

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Upon the occurrence of an event of default (as defined in the Equity Pledge Agreement), unless it is successfully resolved to WFOE's satisfaction within 10 days upon being notified by WFOE, WFOE may exercise its right of pledge immediately or any time thereafter or otherwise dispose of the pledged equity interest in accordance with applicable Laws and have priority in the entitlement to the sale proceeds. The Registered Shareholders have agreed to irrevocably waive their pre-emptive right as existing shareholders when WFOE exercises such right of pledge.

The Equity Pledge Agreement shall remain effective until, among others, all obligations of Onshore Holdco and the Registered Shareholders are satisfied in full, or WFOE or its designee acquire all the equity interest in and/or all assets of Onshore Holdco.

We have registered the pledge of all the equity interests in Onshore Holdco with the relevant administration for market regulation of the PRC in December 2020.

Voting Proxy Agreement

WFOE, Onshore Holdco and the then registered shareholders entered into a shareholder voting rights proxy agreement on June 27, 2019 (the "**Voting Proxy Agreement**"), pursuant to which each of the then registered shareholders appointed WFOE and/or its designee as their exclusive agent and attorney to act on their behalf on all matters concerning Onshore Holdco and to exercise all of their rights as shareholder of Onshore Holdco, including, among others:

- (i) to propose, convene and attend shareholders' meetings, executing the minutes and resolutions of such meetings, exercising voting rights on all matters at such meetings (including but not limited to, appointment, selection or replacement of directors, supervisors and senior executives of Onshore Holdco), executing any and all documents which shall be executed by Registered Shareholders submitting such documents for the purpose of filing with relevant administration for market regulation;
- (ii) to make a resolution on the disposal of Onshore Holdco's assets;
- (iii) to make a resolution on the dissolution and liquidation of Onshore Holdco, and on the formation of a liquidation committee and exercise the functions and powers of the liquidation committee during the liquidation period, including but not limited to making a resolution on the disposal of Onshore Holdco's assets;
- (iv) to decide to transfer or otherwise dispose of shares held by any shareholders of Onshore Holdco in Onshore Holdco;
- (v) to decide to increase the registered capital and/or carry out plans for financing of Onshore Holdco;
- (vi) to supervise the operational performance of Onshore Holdco, approve its annual budget, announce dividends distribution, and review the financial information of Onshore Holdco;
- (vii) to bring a shareholder action or any other legal action against the directors or senior executives of Onshore Holdco in the event that their acts cause damages to the interests of Onshore Holdco or Registered Shareholders; and
- (viii) to exercise any other rights of shareholders provided under PRC Laws or the articles of associations of Onshore Holdco.

Pursuant to the Voting Proxy Agreement, no shareholder of Onshore Holdco shall transfer all or part of its shares to any entity or person, other than WFOE or its designee. A shareholder of Onshore Holdco

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may transfer all or part of its shares in Onshore Holdco subject to the transferee's agreement to undertake all rights and obligations of such shareholder of Onshore Holdco hereunder and the transferee shall become a party hereof in place of such shareholder of Onshore Holdco.

As a result of the Voting Proxy Agreement, the Company, through WFOE, is able to exercise management control over the activities that most significantly impact the economic performance of Onshore Holdco.

The Voting Proxy Agreement, shall remain effective until, among others, WFOE or its designee acquire all the equity interest in and/or all assets of Onshore Holdco.

Loan Agreement

WFOE and Tianjin Saiji entered into a loan agreement dated December 1, 2019, (the "**Loan Agreement**"), pursuant to which WFOE agreed to provide a loan to Tianjin Saiji to finance its holding of equity interests in Onshore Holdco.

All the equity interests in Onshore Holdco held and to be acquired by the borrower (the "**Acquired Interests**") will be pledged to WFOE. As long as the Acquired Interests are pledged to WFOE, the borrower will not need to repay the loan. The term of the Loan Agreement commences from the date of the agreement and ends on the date that WFOE or its designee acquires all the Acquired Interests, provided that such acquisition is allowed under the then applicable PRC Laws. The consideration for the Acquired Interests payable by WFOE shall equal the principal of the loan, and the transfer of Acquired Interests under the Loan Agreement shall constitute repayment of the Loan Agreement by the borrower.

Other aspects of the Contractual Arrangements

Spousal consents

The spouse of each of the individual shareholders of Beijing Bairong has signed a spousal consent letter, pursuant to which the signing spouses unconditionally and irrevocably agrees that they are aware of the Exclusive Consulting Services Agreement, Exclusive Purchase Option Agreement, Equity Pledge Agreement, Voting Proxy Agreement, and have no objection regarding such contractual arrangements.

The signing spouses agree that: (i) any equity interests held by their respective spouse as a Registered Shareholder in Onshore Holdco do not fall within the scope of their communal properties; (ii) each of them will not take any measures that are in conflict with the Contractual Arrangements, including any claims on the interests through legal proceedings; and (iii) each of them will take any necessary measures to procure the execution of the Contractual Arrangements.

Powers of Attorney

Pursuant to the Power of Attorney executed by each of the Registered Shareholders in favour of the WFOE (the "**Powers of Attorney**"), each of the Registered Shareholders authorised WFOE as their representative to exercise all of their voting rights and other shareholder rights in the Onshore Holdco, including (i) to convene and participate in the general meetings of Onshore Holdco, to execute the minutes and resolutions of such meetings, and to exercise voting rights on all matters, (ii) to make any resolutions on the disposal of Onshore Holdco's assets, (iii) to make any resolutions on the dissolution and liquidation of Onshore Holdco, and (iv) to decide on any transfer or otherwise dispose of the shares held by them in Onshore Holdco. Each of the Powers of Attorney shall constitute a part of and embody the terms of the Voting Proxy Agreement.

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Dispute resolution

In the event of any dispute under the Contractual Arrangements, each of them provides that:

- (a) all disputes shall first be settled through friendly negotiation;
- (b) if such dispute fails to be resolved by negotiations within thirty days, any party shall have the right to submit the disputes to the China International Economic and Trade Arbitration Commission, and such dispute shall be arbitrated in accordance with the then prevailing arbitration rules by three arbitrators in Beijing, China, with such arbitration award final and binding on all parties to the arbitration;
- (c) prior to the final award, the arbitration institution shall have the right to grant WFOE with appropriate legal remedies, including relevant remedial measures regarding the shares or assets of Onshore Holdco, remedial injunctions, and dissolution or liquidation of Onshore Holdco; and
- (d) subject to, and in compliance with, PRC Laws, competent courts (including the courts of China, Hong Kong, the Cayman Islands and the place where the principal assets of our Consolidated Affiliated Entities are located) have the power to grant interim remedies before the formation of the arbitral tribunal or in appropriate cases to support arbitration.

Our PRC Legal Adviser has, however, advised that: (i) a tribunal normally would not grant such kind of injunctive relief or winding up order of Onshore Holdco under PRC laws; (ii) interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC; and (iii) even if the abovementioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

As a result of the above, in the event that any of our Consolidated Affiliated 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 Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. See “Risk factors—Risks relating to our corporate structure” for details.

Succession

Each of the Contractual Arrangements is binding on the successors of the Registered Shareholders. Under the succession laws of China, the statutory successors include one’s spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents and any breach by such successors would be a breach of the Contractual Arrangements. In case of a breach, WFOE can enforce its rights against the successors.

Under the Exclusive Purchase Option Agreement, Equity Pledge Agreement and Voting Proxy Agreement, each Registered Shareholders has undertaken that: (i) any change of its controlling shareholder (or general partners) or *de facto* controlling person shall not affect direct shareholding in Onshore Holdco, and will not prevent the Registered Shareholder from performing its obligation therein; (ii) in the event of merger, division, dissolution, liquidation, bankruptcy or cancellation of the Registered Shareholder, the successor of such Registered Shareholder shall be deemed as a signatory to the agreement and undertake all of the rights and obligations of such Registered Shareholder, and (iii) in the event of death, divorce, bankruptcy, liquidation or other circumstances, its spouse, successor, liquidator or any other person or entity who directly or indirectly obtains such rights due to such event will not be prejudicial or disruptive to performance of the agreement.

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Under each of the spousal consents, the spouses have confirmed that in the event of the death of their spouse, loss of legal capacity and the dissolution of their marriage, their spouse shall have the absolute rights to independently dispose the shares of Onshore Holdco and that no action that may impede or disrupt their spouse's performance of their obligations will be taken by themselves, their successor, custodian or creditor.

Based on the above, our PRC Legal Adviser has advised that: (i) the Contractual Arrangements provide protection to the Group even in the event of loss of capacity, death, bankruptcy, marriage or divorce (if applicable) of the Registered Shareholders; and (ii) loss of capacity, death, bankruptcy, marriage or divorce (if applicable) of the Registered Shareholders would not affect the validity of the Contractual Arrangements, and WFOE can enforce its rights under the Contractual Arrangements against the successors of such shareholders.

Conflicts of interest

Although only two Registered Shareholders (namely Mr. Zhang and Mr. Bai Linsen) are also our directors or officers, we have implemented measures to protect against the potential conflicts of interest between our Company and the Registered Shareholders. Under the irrevocable Powers of Attorney, the Registered Shareholders appointed the WFOE, or any person designated by the WFOE (acting under the direction or instructions of WFOE), as their respective attorney-in-fact to appoint directors and vote on their behalf on all matters of our Onshore Holdco requiring approval under their articles of associations and under the relevant PRC Laws.

Loss sharing

Neither the agreements constituting the Contractual Arrangements nor PRC Laws provide or require that our Company or the WFOE be obligated to share the losses of our Consolidated Affiliated Entities or provide financial support to our Consolidated Affiliated Entities. Further, each of our Consolidated Affiliated Entities is a separate legal entity and shall be solely liable for its own debts and losses with assets and properties owned by it.

Despite the foregoing, given that our Group conducts its businesses in the PRC through our Consolidated Affiliated Entities which hold the requisite PRC licences and approvals, and that our Consolidated Affiliated Entities' financial condition and results of operations are consolidated into our Company's financial statements under the applicable accounting principles, our business, financial condition and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses. Therefore, the provisions in the Contractual Arrangements are tailored so as to limit, to the greatest extent possible, the potential adverse effect on the WFOE and our Company resulting from any loss suffered by our Consolidated Affiliated Entities.

Liquidation

Pursuant to the Voting Proxy Agreement, the Registered Shareholders have undertaken that WFOE or its designee are entitled to appoint members of the liquidation committee of Onshore Holdco upon the winding up of Onshore Holdco. Pursuant to the Exclusive Purchase Option Agreement, in the event of a dissolution or liquidation, all of the remaining assets of Onshore Holdco shall be transferred to the WFOE after such dissolution or liquidation pursuant to PRC laws.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

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Our confirmation

Our Directors confirm that, as of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through our Consolidated Affiliated Entities under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Adviser is of the opinion that:

1. the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties thereto, the contents of each agreement do not violate the mandatory provisions of current PRC laws, except in the following cases: under the current PRC laws, the arbitration body does not have the power to grant any injunctive relief, requiring civil entities to act or not to act, therefore the injunctive relief and other temporary relief measures under Contractual Arrangements may not be legally and effectively enforced under current PRC law;
2. the consummation of the Contractual Arrangements does not violate the M&A Rules;
3. the execution and performance of the Contractual Arrangements would not be deemed as ‘concealment of illegal intentions with a lawful form’ under PRC Contract Law and the General Principles of the PRC Civil Law;
4. the execution and performance of the Contractual Arrangements do not violate the provisions of the articles of association of WFOE and Onshore Holdco; and
5. the execution of the Contractual Arrangements does not require any approvals or authorisations from PRC governmental authorities, except that:
 - (a) the pledge of any equity interest in the Onshore Holdco in favour of the WFOE is subject to registration requirements with the relevant administration for market regulation;
 - (b) the exercise by WFOE of its option rights under the Exclusive Purchase Option Agreements to acquire all or part of the equity interests in Onshore Holdco is subject to the approval of, consent of, filing with and/or registration with PRC governmental authorities;
 - (c) the transfer of the equity interest in Onshore Holdco contemplated under the Contractual Arrangements is subject to applicable approval and/or registration requirements under the then applicable PRC laws;
 - (d) any arbitral awards or foreign rulings and/or judgements in relation to the performance of the Contractual Arrangements are subject to applications to competent PRC courts for recognition and enforcement; and
 - (e) under PRC laws, an arbitral body does not have the power to grant any injunctive relief, requiring civil entities to act or not to act, or requiring winding-up of each of our Consolidated Affiliated Entities as interim remedies.

Based on all of the above, our Directors are of the view that the Contractual Arrangements are narrowly tailored because the Contractual Arrangements are only used to enable our Company to control our Consolidated Affiliated Entities that engage in the operation of Relevant Businesses where PRC Laws restrict foreign ownership and impose Qualification Requirements on the foreign owners that are currently impracticable for us to meet.

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ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

According to IFRS 10—Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own the Consolidated Affiliated Entities, the Contractual Arrangements enable our Company to exercise control over the Consolidated Affiliated Entities.

Under the Exclusive Consulting Services Agreement, it was agreed that, in consideration of the services provided by the WFOE, the Onshore Holdco will pay services fees to the WFOE. The services fees, subject to the WFOE's adjustment, are equal to the entirety of the total consolidated profit of our Onshore Holdco (net of accumulated deficit of the Consolidated Affiliated Entities in the previous financial years (if any), costs, expenses, taxes and payments required by the relevant Laws to be reserved or withheld). The WFOE may adjust the services scopes and fees at its discretion in accordance with China tax law and practise as well as the needs of the working capital of our Consolidated Affiliated Entities. The WFOE also have the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entities. Accordingly, the WFOE has the ability, at its sole discretion, to extract all of the economic benefit of our Onshore Holdco through the Exclusive Consulting Services Agreement.

In addition, under the Exclusive Consulting Services Agreement and the Exclusive Purchase Option Agreement, the WFOE has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our Consolidated Affiliated Entities as the WFOE's prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from our Consolidated Affiliated Entities, the Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant Laws) to our Company.

As a result of these Contractual Arrangements, our Company has obtained control of our Consolidated Affiliated Entities through the WFOE and, at our Company's sole discretion, can receive all of the economic interest returns generated by our Consolidated Affiliated Entities. Accordingly, our Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements. The basis of consolidating the results of our Consolidated Affiliated Entities is disclosed in note 1 to the Accountants' Report in Appendix I to this document.

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:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and

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- (iv) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of the WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

DEVELOPMENT IN PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On March 15, 2019, the National People's Congress approved the Foreign Investment Law which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law (外商投資法實施條例), which came into effect on January 1, 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

Impact and consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. As advised by our PRC Legal Adviser, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council" without elaboration on the meaning of "other methods". The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements. 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, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of our Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC Laws. See "Risk factors—Risks relating to our corporate structure—Our current corporate structure and business operations may be affected by the newly enacted Foreign Investment Law".

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REGULATION ON FOREIGN INVESTMENT

The establishment, operation, and management of corporate entities in the PRC is governed by the PRC Company Law (中華人民共和國公司法), which was promulgated by the Standing Committee of the National People's Congress (the "SCNPC"), on December 29, 1993, and came into effect on July 1, 1994. The PRC Company Law was most recently amended on October 26, 2018. The PRC Company Law generally governs two types of companies, namely limited liability companies and joint-stock limited companies, both of which have the status of legal persons, and the liability of shareholders is limited to the amount of registered capital they have contributed. The PRC Company Law also applies to foreign-invested companies in the form of limited liability company or joint-stock limited company. Where laws on foreign investment have other stipulations, such stipulations shall apply.

On March 15, 2019, the National People's Congress (the "NPC"), promulgated the Foreign Investment Law (中華人民共和國外商投資法), which came into effect on January 1, 2020 and replaced the trio of laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law (中華人民共和國中外合資經營企業法), the Sino-foreign Cooperative Joint Venture Enterprise Law (中華人民共和國中外合作經營企業法) and the Wholly Foreign-invested Enterprise Law (中華人民共和國外資企業法), together with their implementation rules and ancillary regulations. Existing foreign-invested enterprises established prior to the effective of the Foreign Investment Law may keep their corporate forms for five years. The Implementing Rules of the Foreign Investment Law (中華人民共和國外商投資法實施條例) were promulgated by the State Council on December 26, 2019 and came into effect on January 1, 2020. Pursuant to the Foreign Investment Law, "foreign investors" means natural person, enterprise, or other organisation of a foreign country, "foreign-invested enterprises", (the "FIEs"), means any enterprise established under PRC law that is wholly or partially invested by foreign investors and "foreign investment" means any foreign investor's direct or indirect investment in China, including: (i) establishing FIEs in China either individually or jointly with other investors; (ii) obtaining stock shares, stock equity, property shares, or other similar interests in Chinese domestic enterprises; (iii) investing in new projects in China either individually or jointly with other investors; and (iv) making investment through other means provided by laws, administrative regulations, or State Council provisions.

The Foreign Investment Law stipulates that China implements the management system of pre-establishment national treatment plus a negative list to foreign investment and the government generally will not expropriate foreign investment, except under special circumstances, in which case it will provide fair and reasonable compensation to foreign investors. Foreign investors are barred from investing in prohibited industries on the negative list and must comply with the specified requirements when investing in restricted industries on that list. When a licence is required to enter a certain industry, the foreign investor must apply for one, and the government must treat the application the same as one by a domestic enterprise, except where laws or regulations provide otherwise. In addition, foreign investors or FIEs are required to file information reports and foreign investment shall be subject to national security review.

The Provisions on Guiding the Orientation of Foreign Investment (指導外商投資方向規定), which was promulgated by the State Council on February 11, 2002, and became effective on April 1, 2002, categorises all foreign-invested projects into encouraged, permitted, restricted, and prohibited projects. The Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Edition) (外商投資准入特別管理措施(負面清單)(2020年版)), was promulgated by the NDRC and the MOFCOM on June 23, 2020, and became effective on July 23, 2020, and lists the categories of restricted and prohibited foreign-invested projects. Those not listed are permitted foreign-invested projects.

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According to the Negative List, value-added telecommunications services (except e-commerce, domestic multipoint communication, store-and-forward, call centre) falls into the restricted category.

Pursuant to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (外商投資電信企業管理規定), as most recently amended in February 2016, foreign invested value-added telecommunications enterprises must be in the form of a Sino-foreign equity joint venture. The regulations limit the ultimate capital contribution percentage by foreign investor(s) in a foreign-invested value-added telecommunications enterprise to 50% or less and require the primary foreign investor in a foreign invested value-added telecommunications enterprise to have a good track record and operational experience in the industry.

In 2006, the predecessor to the MIIT issued the Circular of the Ministry of Information Industry on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Business (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), according to which a foreign investor in the telecommunications service industry in the PRC must establish a foreign invested enterprise and apply for a telecommunications businesses operation licence. This circular further requires that: (i) the PRC domestic telecommunications business enterprises must not lease, transfer or sell a telecommunications businesses operation licence to a foreign investor through any form of transaction or provide resources, offices and working places, facilities or other assistance to support the illegal telecommunications services operations of a foreign investor; (ii) value-added telecommunications enterprises or their shareholders must directly own the domain names and trademarks used by such enterprises in their daily operations; (iii) each value-added telecommunications enterprise must have the necessary facilities for its approved business operations and maintain such facilities in the regions covered by its licence; and (iv) all providers of value-added telecommunications services are required to maintain network and internet security in accordance with the standards set forth in relevant PRC regulations. If a licence holder fails to comply with the requirements in the circular and cure such non-compliance, the MIIT or its local counterparts may at its discretion take measures against such licence holder, including revoking its licence for value-added telecommunications business.

REGULATIONS ON INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

The PRC government has enacted Laws with respect to internet information security and protection of personal information from any abuse or unauthorised disclosure. Internet information in China is regulated and restricted from a national security standpoint. The SCNPC enacted the Decision on the Maintenance of Internet Security (關於維護互聯網安全的決定) on December 28, 2000, which was amended on August 27, 2009 and may subject persons to criminal liabilities in the PRC for any attempt to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. In addition, on December 16, 1997, the Ministry of Public Security (the “MPS”), issued the Administration Measures on the Security Protection of Computer Information Network with International Connections (計算機信息網絡國際聯網安全保護管理辦法), which took effect on December 30, 1997 and were amended by the State Council on January 8, 2011, and which prohibits using the internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilising content. The MPS has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an internet information service provider violates any of these measures, competent authorities may revoke its operating licence and shut down its websites. The Administrative Measures for the Graded Protection of Information Security (信息安全等級保護管理辦法) that was issued and took effect on June 22, 2007 requires entities

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that operate and use information systems to fulfil the obligation of protection of the information system at multi-level. Entities that operate the information systems at Grade II or above shall, within 30 days after the date when its security protection grade is determined, handle the record-filing procedures at the local public security authority.

Under the Several Provisions on Regulating the Market Order of Internet Information Services (規範互聯網信息服務市場秩序若干規定), issued by the MIIT in 2011, an internet information service provider may not collect any personal information of a user or provide any such information to third parties without the user's consent. It must expressly inform the user of the method, content and purpose of the collection and processing of such user's personal information and may only collect information to the extent necessary to provide its services. An internet information service provider is also required to properly maintain users' personal information, and in case of any leak or likely leak of such information, it must take immediate remedial measures and, in the event of a serious leak, report to the telecommunications regulatory authority immediately.

Pursuant to the Decision on Strengthening the Protection of Online Information (關於加強網絡信息保護的決定), issued by the SCNPC in 2012, and the Provisions on Protection of Personal Information of Telecommunication and Internet Users (電信和互聯網用戶個人信息保護規定), issued by the MIIT in 2013, any collection and use of a user's personal information must be subject to the consent of the user, be legal, rational and necessary and be limited to specified purposes, methods and scopes. An internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering with or destroying any such information, or selling or providing such information to other parties. An internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorised disclosure, damage or loss. Any violation of these laws may subject the internet information service provider to warnings, fines, confiscation of illegal gains, revocation of licences, cancellation of filings, closure of websites or even criminal liabilities.

Pursuant to the Ninth Amendment to the Criminal Law (中華人民共和國刑法修正案(九)) issued by the SCNPC in August 2015 and which became effective in November 2015, any internet service provider that fails to fulfil the obligations related to the internet information security administration as required by applicable laws and refuses to rectify such failures when ordered, shall be subject to criminal penalty. Pursuant to the Notice of the Supreme People's Court, the Supreme People's Procuratorate and the MPS on Legally Punishing Criminal Activities Infringing upon the Personal Information of Citizens (最高人民法院、最高人民檢察院、公安部關於依法懲處侵害公民個人信息犯罪活動的通知), issued in 2013, and the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens (最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋), which was issued on May 8, 2017 and took effect on June 1, 2017, the following activities may constitute the crime of infringing upon a citizen's personal information: (i) providing a citizen's personal information to specified persons or releasing a citizen's personal information online or through other methods in violation of relevant national provisions; (ii) providing legitimately collected information relating to a citizen to others without such citizen's consent (unless the information is processed, not traceable to a specific person and not recoverable); (iii) collecting a citizen's personal information in violation of applicable rules and regulations when performing a duty or providing services; or (iv) obtaining a citizen's personal information by purchasing, accepting or exchanging such information in violation of applicable rules and regulations.

The PRC Cyber Security Law (中華人民共和國網絡安全法), which was promulgated by the SCNPC in November 2016 and took effect on June 1, 2017, reaffirmed certain basic principles and requirements

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on personal information protection previously specified in other existing Laws, including those described above. It also requires a network operator, including internet information service providers among others, to adopt technical measures and other necessary measures in accordance with applicable Laws as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. Any individuals and organisations that use networks must not endanger network security or use networks to engage in unlawful activities, such as those endangering national security, economic order and the social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. Violations of the provisions and requirements under the PRC Cyber Security Law may subject an internet information service provider to warnings, fines, confiscation of illegal gains, revocation of licences, cancellation of filings, closure of websites or even criminal liabilities.

The Method for Identifying the Illegal Collection and Use of Personal Information by Apps (APP違法違規收集使用個人信息行為認定方法), promulgated jointly by the MIIT, the MPS, the CAC and the SAMR in November 2019 specifies the practises of illegal collection and use of personal information, providing reference for regulatory authorities and offering guidance for App operators' self-examination and self-correction under the current regulatory environment. We have strictly complied with the aforesaid regulations and have not received any inquiry or been asked for correction from the regulatory authorities so far.

The PRC Civil Code (中華人民共和國民法典) that was issued by the NPC on May 28, 2020 and was effective on January 1, 2021 provides that natural persons' personal information shall be protected by law, and the processing of personal information shall be subject to the principle of legitimacy, rightfulness and necessity, with no excessive processing.

The Draft Data Security Measure (數據安全管理辦法(徵求意見稿)) promulgated by the CAC in May 2019 for public consultation provides for a number of implementing provisions concerning aspects of data collection, data usage and processing, and data security administration. Network operators that violate the Draft Data Security Measures may be subject to public exposure, confiscation of illegal gains, suspension or a shut-down of their business, disabling of their website, revocation of relevant business permits or licences or criminal liability.

The Draft Data Security Law (中華人民共和國數據安全法(草案)) was released by the NPC in July 2020 for public consultation. The Draft Data Security Law stipulates the measures to support and promote data security and development, to establish and optimise the national data security management system, and to clarify organisations' and individuals' responsibilities in data security. The Draft Data Security Law established a tiered data protection system in terms of their importance to economic development as well as the potential damages to national security, public interests and the legitimate rights of individuals and entities by any illegal data activities. Data categorised as "important data", which was not defined under the Draft Data Security Law but will be determined by local regulators in a form of "important data catalogue", shall be treated with higher level of protection. While it focuses largely on data protection from a national security and sovereignty perspective, and provides mostly generic provisions without specific operational rules and implementing mechanisms, the Draft Data Security Law does require processors of important data to appoint a "data security officer" and a "management department" to take charge of the data security responsibilities. In addition, processors of important data are required to periodically evaluate the risk of its data activities and send risk assessment report to relevant supervising authorities. Separately, entities engaging in "data transaction intermediary services" shall check the resources of data, the identities of parties to the data transactions

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and shall keep records of such identities and transactions. For data transactions that violate these requirements, the responsible data transaction intermediary can be fined up to 10 times the amount of the illegal income (if any) or up to RMB1 million fines if there is no illegal income and the business licences or permits of such data transaction intermediary may also be revoked.

The Draft Personal Data Protection Law (中華人民共和國個人信息保護法(草案)) (the “**Draft PDPL**”) was released by the NPC in October 2020 for public consultation. The Draft PDPL stipulates the scope of personal information and the ways of processing personal information, establishes rules for processing personal information and for transfer offshore, and clarifies the individual’s rights and the processor’s obligations in the processing of personal information. The Draft PDPL also strengthens the punishment for those who illegally process personal information. The Draft PDPL is still subject to public consultation and will be further revised in the future. Compared with the PRC Cyber Security Law, the Draft PDPL proposes a slew of specific data protection requirements, including but not limited to more specific inform and consent requirements in various contexts, enhanced data subject right, more protective obligations on personal data processors, and enhanced legal liability of violation of Draft PDPL and privacy litigation.

The Draft PDPL does not differentiate between a data controller and data processor as separately defined under GDPR. Instead, it imposes data compliance requirements and liabilities on any “personal data processor”, which under the Draft PDPL refers to individuals or entities that independently determines the purpose and manners of processing of personal data.

REGULATIONS ON VALUE-ADDED TELECOMMUNICATIONS SERVICES

The PRC Telecommunications Regulations (中華人民共和國電信條例) (the “**Telecommunications Regulations**”), as most recently amended in February 2016, are the primary regulations governing telecommunications services. Under the Telecommunications Regulations, a telecommunications service provider is required to procure operating licences prior to the commencement of its operations. The Telecommunications Regulations distinguish “basic telecommunications services” from “value-added telecommunications services”. Value-added telecommunications services are defined as telecommunications and information services provided through public networks. A catalogue was issued as an attachment to the Telecommunications Regulations to categorise telecommunications services as either basic or value-added. The current catalogue, as most recently updated in June 2019, categorises internet information services as value-added telecommunications services.

The Administrative Measures on Telecommunications Business Operating Licences (電信業務經營許可管理辦法), promulgated by the MIIT in 2009 and most recently amended in July 2017, set forth more specific provisions regarding the types of licences required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licences and the administration and supervision of such licences. Under these measures, a commercial operator of value-added telecommunications services must first obtain a licence from the MIIT or its provincial level counterpart, or else such operator might be subject to sanctions, including corrective orders and warnings from the competent administration authority, fines and confiscation of illegal gains. In case of serious violations, the operator’s websites may be ordered to be closed. Pursuant to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法) issued by the State Council on January 8, 2011, “internet information services” refers to the provision of information through the internet to online users, and they are categorised into “commercial internet information services” and “non-commercial internet information services”. A commercial internet information services operator must obtain a value-added telecommunications services licence for internet information services, which is known as an ICP licence, from the relevant government authorities

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before engaging in any commercial internet information services operations in China. No ICP licence is required if the operator will only provide internet information on a non-commercial basis. According to the Administrative Measures on Telecommunications Business Operating Licences, an ICP licence has a term of five years and can be renewed within 90 days before expiration.

In addition, the provision of commercial internet information services on mobile internet applications is regulated by the Administrative Provisions on Information Services of Mobile Internet Applications (移動互聯網應用程序信息服務管理規定), which was promulgated by the State Internet Information Office in June 2016. The information service providers of mobile internet applications are subject to requirements under these provisions, including acquiring the qualifications required by Laws and being responsible for information security.

REGULATIONS ON INTERNET ADVERTISEMENTS AND ONLINE ADVERTISING

The PRC government regulates advertising, including online advertising, principally through the SAMR (formerly known as the State Administration for Industry and Commerce). The PRC Advertising Law (中華人民共和國廣告法), as most recently amended and effective on October 26, 2018, outlines the regulatory framework for the advertising industry and allows foreign investors to own up to all equity interests in PRC advertising companies.

Advertisers are required by PRC advertising Laws to ensure that the contents of the advertisements they prepare or distribute are true and in full compliance with applicable Laws. For example, advertisements must not contain terms such as “the state-level”, “the highest grade”, “the best” or other similar words. In addition, if a special government review is required for certain categories of advertisements before publishing, the advertisers, advertising operators and advertising distributors are obligated to verify that such a review has been performed and the relevant approval has been obtained. Pursuant to the PRC Advertising Law, the use of the internet to distribute advertisements must not affect the normal use of the internet by users. Where internet information service providers know or should know that illegal advertisements are being distributed using their services, they must prevent such distribution.

In addition, the Interim Measures for Administration of Internet Advertising (互聯網廣告管理暫行辦法), adopted by the predecessor of SAMR and effective on September 1, 2016, set forth certain compliance requirements for online advertising businesses. Advertising operators and distributors of internet advertisement must examine, verify and record identity information for advertisers, such as name, address and contact information, and maintain a verification record that is updated on a regular basis. Moreover, advertising operators and advertising distributors must examine supporting documentation provided by advertisers and verify the contents of the advertisements against supporting documents before publishing them. If the contents of advertisements are inconsistent with the supporting documents, or the supporting documents are incomplete, advertising operators and distributors must refrain from providing design, production, agency or publishing services. These measures also prohibit the following activities: (i) providing or using applications and hardware to block, filter, skip over, tamper with, or cover up lawful advertisements; (ii) using network access, network equipment and applications to disrupt the normal transmission of lawful advertisements or adding or uploading advertisements without authorisation; and (iii) harming the interests of a third party by using fake statistics or traffic data.

Violation of the foregoing Laws may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In case of serious violations, the SAMR or its local branches

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may force the violator to terminate its advertising operation or may even revoke its business licence. Furthermore, advertisers, advertising operators or advertising distributors may be subject to civil liability if they infringe on the legal rights and interests of third parties.

REGULATIONS ON INTERNET FINANCIAL SERVICES

On July 18, 2015, ten PRC regulatory agencies, including the PBOC, the CIRC and the China Banking Regulatory Commission (the “**CBRC**”), jointly issued the Guidelines on Promoting the Healthy Development of Internet Finance (關於促進互聯網金融健康發展的指導意見) (the “**Guidelines**”). The Guidelines encourage insurance companies to leverage internet technology to transform and upgrade traditional financial services. The Guidelines also support financial institutions to build innovative international platforms that could conduct internet insurance business.

The Guidelines set out the basic principles for promoting the development and the administration of the online insurance sector. The respective regulatory agencies will adopt new rules and regulations to implement and enforce the principles set out in the Guidelines. As the implementing rules and regulations of the Guidelines have not been published, there is uncertainty as to how the requirements in the Guidelines will be interpreted and implemented.

Since 2019, PRC financial regulatory authorities have been strengthening the regulation of the peer-to-peer online lending industry.

In September 2019, the Leading Group for Special Rectification of Internet Financial Risks (“**SRIF Leading Group**”) and the Leading Group for Special Rectification of P2P Lending Risks (“**SRPLR Leading Group**”) jointly issued the Circular on Strengthening the Development of the Credit Investigation System for the P2P Online Lending Sector (關於加強P2P網貸領域徵信體系建設的通知), requiring local SRIF Leading Group and SRPLR Leading Group to: (i) support the active peer-to-peer online lending companies in accessing the credit investigation agencies including Financial Credit Information Database Operating Agency and Baihang Credit, and credit investigation agencies shall collect, sort out, save, process and provide credit information to the public according to the laws and regulations, and protect the legitimate rights and interests of the information subjects; (ii) continue to crack down on the malicious evasion of debts by the peer-to-peer online lending companies that have withdrawn from business, and local authorities may select the list of dishonest persons and inform them of repayment, or transfer the list of dishonest persons to credit investigation agencies if they fail to repay the loans within the prescribed time limit; and (iii) intensify sanctions against dishonest persons in the peer-to-peer online lending sector, including encouraging financial institutions to increase loan interest rates and property insurance rates, or imposing restrictions loans, insurance and other services, encouraging local authorities to establish a joint disciplinary mechanism across different departments so as to intensify sanctions against dishonest persons.

In November 2019, the SRIF Leading Group and SRPLR Leading Group jointly issued the Guiding Opinions on the Pilot Programme of Transforming P2P Lending Information Intermediaries into Micro-lending Companies (關於網絡借貸信息中介機構轉型為小額貸款公司試點的指導意見) (the “**Opinion 83**”). Opinion 83 requires that certain eligible peer-to-peer online lending companies shall be guided to transform into micro-lending companies, to take the initiative to dispose of and resolve the outstanding business risks, to minimise the losses of lenders, so as to maintain social stability and promote the standardised and orderly development of inclusive finance. A peer-to-peer online lending company intending to transform into a micro-lending company shall meet the following four basic conditions: (i) compliance conditions, (ii) qualified shareholders and management team, (iii) feasible transformation plan, and (iv) strong financial and technological strength to qualify for online business.

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Opinion 83 provides that, under the leadership of the Financial Stability and Development Committee of the State Council, the SRIF Leading Group and SRPLR Leading Group shall be in charge of the pilot programme, and to provide guidance to the local authorities, and to inspect the data monitoring, early warning and information disclosure.

REGULATIONS ON CREDIT REPORTING BUSINESS

The PRC government has adopted several regulations governing personal credit reporting businesses. These regulations include the Regulation for the Administration of Credit Reporting Industry (徵信業管理條例), enacted by the State Council and became effective in March 2013, and the Management Rules on Credit Agencies (徵信機構管理辦法), issued by the PBOC, in the same year.

The Regulation for the Administration of Credit Reporting Industry defines “credit reporting business” and “credit reporting agency” for the first time. According to the Regulation for the Administration of Credit Reporting Industry, “credit reporting business” means the activities of collecting, organising, storing and processing “credit-related information” of individuals and enterprises, as well as providing such information to others, and a “credit reporting agency” refers to a duly established agency whose primary business is credit reporting. Besides, the Regulation for the Administration of Credit Reporting Industry and the Management Rules on Credit Agencies stipulate that the establishment of a credit reporting agency to engage in individual credit reporting business shall be subject to the approval of the PBOC, and the requirements for such establishment. The requirements for such establishment include: (1) its major shareholders have a good reputation and do not have any record of major violation of law or non-compliance in the past three years; (2) its registered capital shall not be less than RMB50 million; (3) it has the facilities, equipment, systems and measures for the protection of information security which comply with the provisions of the PBOC; (4) the proposed candidates for directors, supervisors and senior management personnel shall be familiar with the laws and regulations relating to credit reporting business, shall possess the work experience and management capabilities in the credit reporting business required for performance of their duties, shall not have any record of major violation or non-compliance during the past three years, and shall have obtained the appointment qualifications approved by the PBOC; (5) it has a proper organisational structure; (6) it has proper internal control systems for business operation, information security management, compliance management, etc.; (7) its individual credit information system shall satisfy the standard of National Information System Security Level Protection Level 2 or above; and (8) it satisfies any other prudential requirements stipulated by the PBOC. Entities engaged in individual credit reporting business without such approval may be subject to penalties, including ban of business, confiscation of revenues related to individual credit reporting business, fines of RMB50,000 to RMB500,000 or criminal liabilities. The Regulation for the Administration of Credit Reporting Industry also requires entities to ensure the security of personal information by setting business rules for individual credit reporting business, prohibiting collecting certain personal information (e.g., religion, finger print), and providing rights for the individuals with respect to their personal information (e.g., inquiry, objection, complaint).

Given that the PBOC is a subordinate authority under the State Council, the Management Rules on Credit Agencies enacted by the PBOC is based on the Regulation for the Administration of Credit Reporting Industry, and further detailing the rules with respect to the administration for the credit reporting agency, including the rules to establish, change, deregister a credit reporting agency, the rules for the daily operation of a credit reporting agency, etc.

On January 11, 2021, the PBOC released the 2021 Draft Measures for Credit Reporting Business (Draft) (徵信業務管理辦法(徵求意見稿)) (the “**2021 Draft**”) for public consultation. The 2021 Draft defines “credit information” as information that “serves the financial and economic activities and is

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used to determine individuals and enterprises credit status, which including but not limited to, identity, address, transportation, communication, debt, property, payment, consumption, production, performance of statutory obligations, and information originated from analysis and evaluation of individuals and enterprises' credit status based on the foregoing information". It applies to entities that carry out credit reporting business and "activities relating to credit reporting business" in China as well as such activities carried out outside China but targeting Chinese residents. Separately, entities providing "credit reporting function services" in the name of "credit information service, credit service, credit evaluation, credit rating, credit repair and etc." are also subject to the 2021 Draft. The 2021 Draft provides rules on credit reporting business and credit reporting agencies, including that (i) the credit reporting agencies shall collect credit information following the "minimum and necessary" principle and must not collect, compile, store and process credit information by unlawful means, and must not alter original data, (ii) information user shall not abuse credit information, and the credit reporting agencies shall comply with relevant business rules when they provide credit information for credit inquiry, credit evaluation, credit rating and anti-fraud services, (iii) credit reporting agencies shall take measures to ensure the credit information security, and establish emergency and report system for incidents, (iv) the database of the domestic credit reporting agencies shall be set up in the territory of the PRC, (v) credit reporting agencies shall comply with related laws and regulations when providing credit information to the overseas, and (vi) information processors who collaborate with credit reporting agencies shall enter into cooperation agreements and file such cooperation agreements with the PBOC or its provincial counterparts.

REGULATIONS ON ANTI-MONEY LAUNDERING

The PRC Anti-money Laundering Law (中華人民共和國反洗錢法), which became effective in 2007, sets forth the principal anti-money laundering requirements applicable to financial institutions as well as non-financial institutions with anti-money laundering obligations, including the adoption of precautionary and supervisory measures, establishment of various systems for client identification, retention of clients' identification information and transactions records, and reports on large transactions and suspicious transactions. Financial institutions subject to the PRC Anti-money Laundering Law include banks, credit unions, trust investment companies, stock brokerage companies, futures brokerage companies, insurance companies, fund management companies and other financial institutions as listed and published by the PBOC, while the list of the non-financial institutions with anti-money laundering obligations will be jointly published by the PBOC and other related authorities of the State Council. The PBOC and other governmental authorities issued a series of administrative rules and regulations to specify the antimoney laundering obligations of financial institutions and certain non-financial institutions, such as fund sales institutions. However, the State Council has not yet promulgated a list of the non-financial institutions subject to anti-money laundering obligations.

The Notice on Anti-Money Laundering Operations of the Insurance Industry (保險業反洗錢工作管理辦法), promulgated by the CIRC in 2011, requires insurance brokerage agencies to establishing anti-money laundering internal control systems and provides assistance to public security departments and judicial authorities in investigations.

REGULATIONS ON ONLINE MICRO-LENDING

According to the Guidelines, online lending includes individual online lending (i.e., peer-to-peer online lending) and online micro-lending. Online micro-lendings refer to micro-lendings provided by internet enterprises to clients by utilising the internet through micro-lending companies under their control. Online shall comply with the supervision provisions of micro-lending companies currently in force,

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maximise the advantages of online loans and strive to reduce clients' financing costs. The online lending business shall be subject to the supervision of the CBIRC.

On December 1, 2017, the Office of Internet Finance Risk Rectification Special Task Force and the Office of Online Peer-to-Peer Lending Risk Rectification Special Task Force, established by the PBOC, the CBRC and other PRC regulatory agencies, jointly issued the Circular on Regulating and Rectifying of "Cash Loan" Services (關於規範整頓“現金貸”業務的通知) (the “**Circular 141**”). Circular 141 aims to regulate “cash loan” operations in China and outlines the general principles for “cash loan” services. It also sets out requirements and limitations for online micro-lending services.

The online micro-lending industry in the PRC is regulated by provincial regulatory authorities, as of the jurisdiction of our business, the principal regulation governing the online micro-lending industry is the Provisions on the Supervision of Administration of Micro-lending Companies in Guangdong Province (Trial) (廣東省小額貸款公司管理辦法(試行)) (the “**POSAMLC**”), issued by the Finance Office of Guangdong Province on January 23, 2009 and effective on January 23, 2009. According to the POSAMLC, the term “micro-lending company” refers to a limited liability company or a joint stock limited company which is established within the county (city or district) territory of the province by natural persons, enterprise legal persons and other social organisations in accordance with these measures and relevant Laws and which operates a micro-lending business without absorbing public deposits. The provincial finance office set up an admittance Examination Committee of the institution, and examines the application of the opening of the micro-lending company in accordance with the law.

The establishment of a micro-lending company shall meet the following requirements:

- its articles of association shall be in conformity with the provisions of the PRC Company Law;
- if it is a limited liability company, its registered capital in general shall not be less than RMB30 million, and if it is a joint stock limited company, its registered capital in general shall not be less than RMB50 million. All capital shall be genuine and legitimate, and shall be paid in monetary capital at one time;
- the total shareholding ratio of its principal sponsor (or the largest shareholder) and its affiliates shall not exceed 45%, of which each principal sponsor (or the largest shareholder) and its affiliates shall not exceed 20%, and the shareholding ratio of the other single shareholder and its affiliates shall not exceed 10% of the total registered capital of the micro-lending company. Shareholders shall not be less than 1%. Shares held by the principal sponsor (or the largest shareholder) shall not be transferred within three years from the date of the establishment of the micro-lending company, and shares held by other shareholders shall not be transferred within two years;
- it shall have a senior management with professional knowledge and professional experience;
- it shall have a staff with professional knowledge and experience;
- it shall have the necessary organisational structures and management systems; and
- its business premises, safety precautions and other business-related facilities must meet the related statutory requirements.

The Draft Online Micro-lending Measures was released by the CBIRC and PBOC in November 2020 for public consultation. The Draft Online Micro-lending Measures makes it clear that an online micro-lending business shall be carried out mainly in the provincial administrative areas to which the entity is registered, and shall not be cross-provincial without prior approval. The registered capital of a

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company operating an online micro-lending business shall not be less than RMB1 billion, and shall be a one-time paid-in monetary capital. The Draft Online Micro-lending Measures would expressly prohibit loans from being used to invest in bonds, stocks, financial derivatives, asset management products, etc., to purchase houses or to repay mortgage loans. The Draft Online Micro-lending Measures would establish a three-year transition period, and those operating cross-provincial online micro-lending businesses without approval will be phased-out.

REGULATIONS ON INTERNET OVERDUE DEBT COLLECTION

The principal regulation governing Internet overdue debt collection in the PRC is the Provisions on the Supervision of Internet Financial Overdue Debt Collection Self-discipline Convention (Trial) (互聯網金融逾期債務催收自律公約(試行)) (the “**Convention**”), promulgated by the National Internet Finance Association of China on March 28, 2018 and effective on March 28, 2018. The term “Internet Financial Overdue Debt Collection” refers to the reminder service for guiding a debtor to fulfil their debt repayment liability when the debtor fails to fulfil the repayment obligations as stipulated in the contract after the formation of creditor’s rights and liabilities through internet lending. The Convention restricts collection agencies and collectors in areas of internal control management, codes of conduct, implementation of the Convention and treatment of breach of contract.

Under the internal control management principles, the collection agencies should establish a collection business system, which should effectively support the process management of debt collection and debt collection behaviour management. The collection activities carried out by the collection agencies should be recorded in the system, and the relevant data should be kept for more than five years. The collection agencies should effectively protect the privacy of creditors, debtors and related parties, and shall not illegally disclose or obtain personal information by, or through, illegal means.

Under the code of conduct principles: (i) the debt collection agencies or collectors should comply with the relevant requirements of Laws, and shall not harass irrelevant persons; (ii) when communicating with the debtor and the parties concerned, the collector shall use polite and courteous language and shall not coerce the debtor and the parties concerned by threatening, abusing or violating public order and good customs; (iii) the collectors shall carry out debt collection activities at an appropriate time, and shall not make frequent phone calls to harass the debtor and other persons; (iv) the collectors shall not disclose personal information about the debtor’s liabilities, overdue or breach of contract to any person other than the debtor, unless otherwise stipulated by Laws; (v) the collectors shall not injure the debtor or other persons, illegally restrict the personal freedom of the debtor or other persons, illegally intrude into the residence of the debtor or other persons or illegally search the body of the debtor or other persons; and (vi) the collectors shall not induce or force the debtor to raise funds to repay the overdue debts through new loans or illegal means.

REGULATIONS ON THE INSURANCE INDUSTRY

Initial development of regulatory framework

According to the PRC Insurance Law (中華人民共和國保險法), most recently amended and effective on April 24, 2015, the minimum registered capital required to establish an insurance agency or insurance brokerage as a company is that required by the PRC Company Law. The registered capital or the capital contribution of insurance agencies or insurance brokerages must be paid-up capital in cash. The PRC Insurance Law also sets forth some specific qualification requirements for insurance agency and brokerage practitioners. The senior managers of insurance agencies or insurance brokerages must meet specific qualification requirements, and their appointments are subject to approval of the CIRC.

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Personnel of an insurance agencies or insurance brokerage engaging in the sales of insurance products must meet the qualification requirements set by the CIRC and obtain a qualification certificate issued by the CIRC. Under the PRC Insurance Law, the parties to an insurance transaction may engage insurance adjusting firms or other independent appraisal firms that are established in accordance with applicable Laws, or persons who possess the requisite professional expertise, to conduct assessment and adjustment of the insured subject matters. Additionally, the PRC Insurance Law specifies additional legal obligations for insurance agencies and insurance brokerages.

Regulations on insurance brokerages

The principal regulation governing insurance brokerages is the Provisions on the Supervision and Administration of Insurance Brokers (保險經紀人監管規定) (the “POSAIB”), promulgated by the CIRC on February 1, 2018 and effective on May 1, 2018. According to the POSAIB, the establishment of an insurance broker is subject to the approval of the CIRC. The term “insurance brokers” refers to an entity engaging in the insurance brokering business that meets the qualification requirements specified by the CIRC and has obtained the licence to operate an insurance brokering business with the approval of the CIRC. Insurance brokering business includes both direct insurance brokering, which refers to brokering activities on behalf of insurance applicants or the insured in their dealings with the insurance companies, and reinsurance brokering, which refers to brokering activities on behalf of insurance companies in their dealings with reinsurance companies. An insurance broker may be either a limited liability company or a joint stock limited company. According to the POSAIB, the minimum registered capital of an insurance brokerage firm whose business area is not limited to the province, autonomous region, municipality directly under the Central Government or city under separate state planning where industrial and commercial registration formalities are undergone shall be RMB50 million; the minimum registered capital of an insurance brokerage firm whose business area is the province, autonomous region, municipality directly under the Central Government or city under separate state planning where industrial and commercial registration formalities are undergone shall be RMB10 million. Insurance brokerage companies legally formed before the POSAIB come into force shall remain in existence, and the specific measures for application to those failing to meet all of the conditions in the POSAIB shall be separately developed by the CIRC.

An insurance brokerage firm may conduct the following insurance brokering businesses:

- making insurance proposals, selecting insurance companies and handling the insurance application procedures for the insurance applicants;
- assisting the insured or the beneficiary to claim compensation;
- reinsurance brokering business;
- providing consulting services to clients with respect to disaster and damage prevention, risk assessment and risk management; and
- other business activities approved by the CIRC.

The name of an insurance brokerage firm must contain the words “insurance brokerage”. An insurance brokerage firm shall submit a written report to the CIRC within five days from the date of occurrence of any of the following matters: (i) changing the name, domicile or business premise; (ii) changing the shareholders, registered capital or organisational form; (iii) changing the shareholder’s name, designation, or amount of contribution; (iv) amending the bylaws; (v) making any equity investment, and forming an overseas insurance institution and non-business institution; (vi) division, merger and dissolution of the insurance brokerage business, and termination of insurance brokerage business

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activities by a branch; (vii) changing the primary person in charge of a branch other than a provincial branch company; (viii) being subject to administrative punishment or criminal punishment or under investigation for being suspected of involvement in any violation of law or crime; or (ix) other reporting matters as prescribed by the CIRC. The senior managers of an insurance brokerage firm must meet specific qualification requirements set forth in the POSAIB. Appointment of the senior managers of an insurance brokerage is subject to review and approval by the CIRC.

Regulations on insurance brokers

The principal regulation governing individual insurance brokers is also the POSAIB. Under the POSAIB, the term “insurance broker” refers to an employee of an insurance brokerage who designs insurance plans, processes insurance application formalities and assists in claims for insurance applicants or insured parties, provides disaster or loss prevention and risk evaluation and management advisory services to entrusting parties, or engages in reinsurance brokerage businesses or other related activities. A person must be registered with the CIRC’s Insurance Intermediaries Regulatory Information System and obtain a “Practise Certificate of Insurance Brokers” issued by the insurance agency or insurance brokerage to which he or she belongs in order to conduct insurance sales activities.

Pursuant to the PRC Insurance Law and the Circular of the CIRC on Issues concerning the Administration of Insurance Intermediary Practitioners (關於保險中介從業人員管理有關問題的通知), a broker is no longer required to pass the qualification examination organised by the CIRC or insurance industry committees to obtain a qualification certificate issued by the CIRC.

REGULATIONS ON FOREIGN EXCHANGE

Regulation on foreign currency exchange

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

In 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (關於進一步改進和調整直接投資外匯管理政策的通知) (the “**Circular 59**”), which substantially amends and simplifies the current foreign exchange procedure. Pursuant to Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and the remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In 2013, SAFE specified that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its local branches. In February 2015, SAFE promulgated the Notice on Further

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Simplifying and Improving the Administration of the Foreign Exchange Concerning 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). Instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals may apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, may directly review the applications and conduct the registration.

In March 2015, SAFE promulgated the Circular of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式的通知) (the “**Circular 19**”), which expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. Circular 19 replaced both the Circular of the SAFE on Issues Relating to the Improvement of Business Operations with Respect to the Administration of Foreign Exchange Capital Payment and Settlement of Foreign-invested Enterprises (國家外匯管理局關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知) (the “**Circular 142**”), and the Circular of the SAFE on Issues concerning the Pilot Reform of the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises in Certain Areas (國家外匯管理局關於在部分地區開展外商投資企業外匯資金結匯管理方式改革試點有關問題的通知) (the “**Circular 36**”). Circular 19 allows all foreign-invested enterprises established in the PRC to settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operation, provides the procedures for foreign invested companies to use RMB converted from foreign currency-denominated capital for equity investments and removes certain other restrictions that had been provided in Circular 142. However, Circular 19 continues to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capital for expenditure beyond their business scope and providing entrusted loans or repaying loans between non-financial enterprises. SAFE promulgated the Notice of the SAFE on Reforming and Standardising the Foreign Exchange Settlement Management Policy of Capital Account (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (the “**Circular 16**”), effective June 2016, which reiterates some of the rules set forth in Circular 19. Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). However, there are substantial uncertainties with respect to Circular 16’s interpretation and implementation in practise. Circular 19 or Circular 16 may delay or limit us from using the proceeds of offshore offerings to make additional capital contributions to our PRC subsidiaries and any violations of these circulars could result in severe monetary or other penalties.

In January 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimising Genuineness and Compliance Verification (關於進一步推進外匯管理改革完善真實合規性審核的通知) (the “**Circular 3**”), which stipulates several capital control measures with respect to the outbound remittance of profits from domestic entities to offshore entities, including (i) banks must check whether the transaction is genuine by reviewing board resolutions regarding profit distribution, original copies of tax filing records and audited financial statements, and (ii) domestic entities must retain income to account for previous years’ losses before remitting any profits. Moreover, pursuant to Circular 3, domestic entities must explain in detail the sources of capital and how the capital will be used, and provide board resolutions, contracts and other proof as a part of the registration procedure for outbound investment.

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Regulations on foreign exchange registration of overseas investment by PRC residents

In 2014, SAFE issued the SAFE Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles (國家外匯管理局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 37**”), replacing the SAFE Circular on Issues Concerning the Regulation of Foreign Exchange in Equity Finance and Return Investments by Domestic Residents through Offshore Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司融資及返程投資外匯管理有關問題的通知). Circular 37 regulates foreign exchange matters in relation to the use of special purpose vehicles by PRC residents or entities to seek offshore investment and financing or conduct round trip investment in China. Under Circular 37, a “special purpose vehicle” refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate onshore or offshore assets or interests, while “round trip investment” refers to direct investment in China by PRC residents or entities through special purpose vehicles, namely, establishing foreign invested enterprises to obtain ownership, control rights and management rights. Circular 37 provides that, before making a contribution into a special purpose vehicle, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch.

In 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning 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). This notice has amended Circular 37 by requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. PRC residents or entities who had contributed legitimate onshore or offshore interests or assets to special purpose vehicles but had not registered as required before the implementation of the Circular 37 must register their ownership interests or control in the special purpose vehicles with qualified banks. An amendment to the registration is required if there is a material change with respect to the special purpose vehicle registered, such as any change of basic information (including change of the PRC resident, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, and mergers or divisions. Failure to comply with the registration procedures set forth in Circular 37 and the subsequent notice, or making misrepresentations or failing to disclose the control of the foreign-invested enterprise that is established through round-trip investment, may result in restrictions being imposed on the foreign exchange activities of the relevant foreign-invested enterprise, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations.

Regulations on stock incentive plans

SAFE promulgated the Circular of the SAFE on Issues 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**”), in February 2012. 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 SAFE or its local branches and complete certain other procedures. Participants in 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

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respect to the stock incentive plan on behalf of the participants. 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 or the PRC agent or any other material changes. The PRC agent must apply to SAFE or its local branches on behalf of the PRC residents who have the right to exercise the employee share options for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the applicable PRC agent before distribution to such PRC residents.

Regulations on dividend distribution

The principal regulations governing distribution of dividends of wholly foreign-invested enterprises include the PRC Company Law, the Foreign Investment Law and the Implementing Rules of the Foreign Investment Law. Under these laws, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign-invested enterprises in the PRC are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. 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. Foreign-invested enterprises 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 INTELLECTUAL PROPERTY

Copyright

The PRC Copyright Law (中華人民共和國著作權法) was last amended on February 26, 2010 and came into effect on April 1, 2010. A new Copyright Law was published on November 11, 2020, and will become effective on June 1, 2021. Copyrights include personal rights such as the right of publication and that of attribution, as well as property rights such as the right of production and that of distribution. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology, pay damages, etc.

Trademark

Pursuant to the PRC Trademark Law (中華人民共和國商標法), which was last revised on April 23, 2019 and came into effect on November 1, 2019, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years from the day the registration is approved. Using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorisation of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall undertake to cease the infringement, take remedial action, and pay damages, etc.

REGULATIONS

Patent

The PRC Patent Law (中華人民共和國專利法) was revised on December 27, 2008 and came into effect on October 1, 2009. A new Patent Law was published on October 17, 2020, and will become effective on June 1, 2021. After the grant of the patent right for an invention or utility model, except where otherwise permitted under the law, no entity or individual may, without the authorisation of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. After a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is decided, the infringer shall undertake to cease the infringement, take remedial action, and pay damages, etc.

Domain name

Pursuant to the Measures for the Administration of Internet Domain Names (互聯網域名管理辦法), which was promulgated on August 24, 2017 and came into effect on November 1, 2017, “domain name” shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol address of that computer. The principle of “first come, first serve” is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by them. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay the corresponding fees as required, the original domain name registrar shall write it off and notify the holder of the domain name in written form.

REGULATIONS ON TAXATION

Enterprise income tax

Pursuant to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the “EIT Law”) promulgated by NPC on March 16, 2007, which took effect on January 1, 2008 and was last amended on December 29, 2018, and its implementing rules, enterprises are classified into resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax of 25% while non-PRC resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC of 10%. The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of *De Facto* Management Bodies (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 the SAT on April 22, 2009, taking effect on January 1, 2008 and most recently amended on June 15, 2018, sets out the standards and procedures for determining whether the “*de facto* management body” of an enterprise registered outside of China and controlled by mainland Chinese enterprises or mainland Chinese enterprise groups is located within China. On July 27, 2011, SAT issued a trial version of the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (境外註冊中資控股居民企業所得稅管理辦法(試行)), which came into effect on September 1, 2011, to clarify certain issues in the areas of resident status determination, post-determination administration and competent tax authorities’ procedures. 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

REGULATIONS

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 Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Double Tax Avoidance Arrangements**”), promulgated by the SAT on August 21, 2006, 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% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (關於執行稅收協定股息條款有關問題的通知) promulgated by the SAT and taking effect 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. Based on the Announcement of the State Administration of Taxation on Issues Relating to “Beneficial Owner” in Tax Treaties (國家稅務總局關於稅收協定中“受益所有人”有關問題的公告), which was issued on February 3, 2018 and took effect on April 1, 2018, to determine the “beneficial owner” status of a resident of the treaty counterparty who needs to enjoy the tax treaty benefits, a comprehensive analysis shall be carried out in accordance with the factors set out in the announcement, taking into account actual conditions of the specific case. According to the EIT Law, the EIT tax rate of a high and new technology enterprise is 15%. Pursuant to the Administrative Measures for the Recognition of High and New Technology Enterprises (高新技術企業認定管理辦法) promulgated by Ministry of Science and Technology, Ministry of Finance, or the MOF and SAT on January 29, 2016, which took effect on January 1, 2016 the Certificate of a High and New Technology Enterprise is valid for three years.

Value-added tax

According to the PRC Provisional Regulation on Value-added Tax (中華人民共和國增值稅暫行條例), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and was last amended on November 19, 2017, and the Implementing Rules for the PRC Provisional Regulation on Value-added Tax (中華人民共和國增值稅暫行條例實施細則), which was promulgated by MOF on December 25, 1993, and last amended on October 28, 2011, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax.

Since January 1, 2012, the MOF and the SAT have implemented the Pilot Plan for Levying Value-Added Tax in Lieu of Business Tax (營業稅改徵增值稅試點方案), which imposes value-added tax in lieu of business tax for certain “modern service industries” in certain regions and eventually expanded the scope of the pilot plan to other regions within the PRC.

In accordance with the Notice on Full Launch of the Pilot Plan for the Conversion of Business Tax to Value-Added Tax (關於全面推開營業稅改徵增值稅試點的通知) which was issued by the MOF and the SAT on March 23, 2016, and came into effect on May 1, 2016, the state started to fully implement the pilot plan from business tax to value-added tax on May 1, 2016. All taxpayers of business tax have been included in the scope of the pilot plan and should pay value-added at the rate of 6% instead of paying business tax.

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REGULATIONS ON M&A AND OVERSEAS LISTINGS

On August 8, 2006, six PRC regulatory agencies (namely the MOFCOM, SASAC, the SAT, the SAMR, the CSRC and the SAFE), issued the M&A Rules, which took effect on September 8, 2006 and was amended on June 22, 2009. Foreign investors shall comply with the M&A Rules: when they purchase equity interests of a domestic company or subscribe to 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 assets; 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 purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of CSRC prior to publicly listing their securities on an overseas stock exchange.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

According to the PRC Labour Law (中華人民共和國勞動法), which was promulgated by the SCNPC on July 5, 1994, becoming effect on January 1, 1995, and last amended on December 29, 2018, and the PRC Labour Contract Law (中華人民共和國勞動合同法) promulgated by the SCNPC on June 29, 2007, becoming effect on January 1, 2008, and last amended on December 28, 2012 with effect from July 1, 2013, and the Regulation on the Implementation of the Labour Contract Law (中華人民共和國勞動合同法實施條例), which was promulgated by the State Council and came into effect on September 18, 2008, labour relationship between employers and employees must be executed in written form. Where a labour relationship has already been established but no formal contract has been made, a written labour contract shall be entered into within one month from the date when the employee begins to work. In addition, wages may not be lower than the local minimum wage standard. Employers must establish a system for labour safety and sanitation, strictly abide by state standards, and provide relevant training to the employees. Employees are also required to work in safe and sanitary conditions.

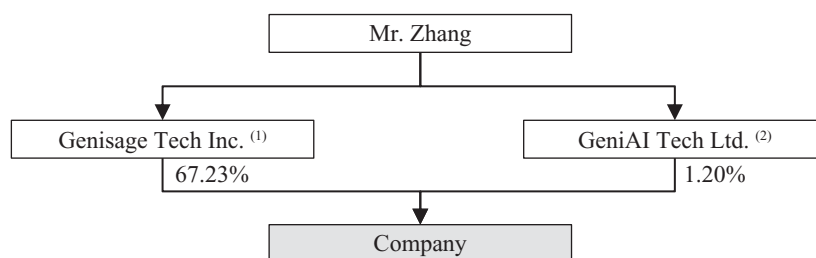
Under PRC Laws, including the Social Insurance Law (中華人民共和國社會保險法) promulgated by the State Council on October 28, 2010 and taking effect on July 1, 2011, which was amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Security Funds (社會保險費徵繳暫行條例) promulgated by the State Council and taking effect on January 22, 1990 and amended on March 24, 2019, and the Regulations on the Administration of Housing Accumulation Funds (住房公積金管理條例) promulgated by the State Council and taking effect on April 3, 1999, and last amended on March 24, 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance and housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the deficit amount.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes), Mr. Zhang will be interested in and will control 84,299,615 Class A Shares through Genisage Tech Inc. (held through Genisage Holdings Limited) and 15,000,000 Class B Shares through GeniAI Tech Ltd. (held by RongXing Trust). Mr. Zhang will be interested in approximately 20.05% of our issued Shares, and will be entitled to exercise approximately 68.42% of the voting rights of our issued Shares in general meetings (except for resolutions with respect to the Reserved Matters, in relation to which each Share is entitled to one vote). Therefore Mr. Zhang, Genisage Tech Inc., Genisage Holdings Limited, GeniAI Tech Ltd. and RongXing Trust together will constitute Controlling Shareholders of our Company after the Listing.

The following simplified diagram illustrates the ultimate beneficial interest of our Controlling Shareholders' voting rights for resolutions in general meetings with respect to matters other than the Reserved Matters, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes):



Notes:

- (1) Immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes), Genisage Tech Inc. will hold 84,299,615 Class A Shares, representing approximately 67.23% of the voting rights in the Company capable of being exercised on resolutions in general meetings and approximately 17.02% of the voting rights in the Company in relation to Reserved Matters. Genisage Tech Inc. is wholly owned by Genisage Holdings Limited. The entire interest in Genisage Holdings Limited is held through a trust which was established by Mr. Zhang (as settlor) for the benefit of himself and his family.
- (2) Immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes), GeniAI Tech Ltd. will hold 15,000,000 Class B Shares, representing approximately 1.20% of the voting rights in the Company capable of being exercised on resolutions in general meetings and approximately 3.03% of the voting rights in the Company in relation to Reserved Matters. GeniAI Tech Ltd. is wholly owned by RongXing Trust, which is managed by Mr. Zhang and two employees. These shares are for the motivation of our senior management, employees and other skilled personnel and to provide incentives for their contributions to our Company.

See “Share capital—Weighted voting rights structure” for details of the weighted voting rights attached to the Class A Shares.

Our Group operates independently of our Controlling Shareholders. As of the Latest Practicable Date, Xinyu Bulu Weier Internet Investment Partnership (L.P.), held as to approximately 70% by Mr. Zhang, held 4.37% of the equity interest in Percent Corporation (the remainder of which is held by a wide investor base of over three-dozen shareholders). Percent Corporation is an enterprise involved in data intelligence technology in China.

According to Percent Corporation, it has served 10,000+ government and enterprise clients with an international business in more than 20 countries across Asia, Africa and Latin America, and its services involve digital cities, emergency management, public safety, ecological environment retail & FMCG, media publishing, manufacturing, real estate. Its principal products include an intelligent government decision-making system DeepGovernor, intelligent security analysis system DeepFinder, intelligent omni-media service system DeepEditor, an intelligent marketing system DeepCreator, a data sharing

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

and exchange and resource catalogue system, an e-government system and an all-in-one machine DeepMatrix.

Our Directors believe that the business of Percent Corporation is delineated from, does not and will not compete with, our business as an independent AI-powered technology platform dedicated to serving the financial services industry. There are differences in sectoral focus (our focus being on the financial services industry), customer base (our clients are FSPs), and geographical focus (our focus is on the Chinese market). Moreover, Mr. Zhang has no ongoing role and responsibilities in Percent Corporation, nor a material interest, control or influence in Percent Corporation, being just one of more than three-dozen shareholders and holding a minority interest of less than 5%.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Management independence

Our business is managed and conducted by our Board and senior management. Mr. Zhang, a Controlling Shareholder, is also one of our executive Directors.

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

- (a) each Director is aware of their fiduciary duties as a director which require, among others, that they act for the benefit and in the interest of our Company and do not allow any conflict between their duties as a Director and their personal interests;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is(are) required to declare the nature of such interest before voting at the relevant Board meeting; and
- (e) we have adopted other corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders, as detailed in “—Corporate governance measures”.

Based on the above, our Directors believe that our business is managed independently of our Controlling Shareholders.

Operational independence

Our Group holds all relevant licences and owns all relevant intellectual properties and research and development facilities necessary to carry on our data analytics and marketing and distribution services. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our clients and an independent management team to operate our business.

Based on the above, our Directors believe that our business is operationally independent of our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. We have an independent internal control and accounting system and also have an independent finance department responsible for discharging the treasury function. We can obtain financing from third parties, if necessary, without reliance on our Controlling Shareholder.

During the Track Record Period, we had certain advances to and from related parties, as detailed in note 34 to the Accountants' Report in Appendix I. There are no outstanding balances with related parties as at September 30, 2020. There are no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates.

Based on the above, our Directors believe that our business is financially independent of our Controlling Shareholders.

CORPORATE GOVERNANCE MEASURES

The Company and our Directors are committed to upholding and implementing the highest standards of corporate governance and recognise the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

In light of this, the Company has established a corporate governance committee pursuant to Rule 8A.30 which has adopted terms of reference consistent with Code Provision D.3.1 of Appendix 14 to, and Rule 8A.30 of, the Listing Rules. The members of the corporate governance committee are independent non-executive Directors with experience in overseeing corporate governance related functions of private and listed companies. The primary duties of the corporate governance committee are to ensure that the Company is operated and managed for the benefit of all shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to its WVR structure.

Under the Articles of Association, extraordinary general meetings of the Company may be convened on the written requisition of any one or more members holding, as at the date of deposit of the requisition, in aggregate 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. In addition, pursuant to the Shareholder communication policy to be adopted by the Company upon Listing, Shareholders are encouraged to put governance related matters to the Directors and to the Company directly in writing.

We will also adopt the following corporate governance measures to resolve actual or potential conflict of interests between our Group and our Controlling Shareholders:

- (a) where a Shareholders' meeting is held pursuant to the Listing Rules to consider proposed transactions or arrangements in which our Controlling Shareholders or any of their associates have a material interest, our Controlling Shareholder(s) shall abstain from voting and their votes shall not be counted;
- (b) our Company has established internal control mechanisms to identify connected transactions, and we will comply with the applicable Listing Rules if we enter into connected transactions with our Controlling Shareholders or any of their associates after Listing;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake to provide all information necessary or requested by the independent non-executive Directors for the Annual Review, including all relevant financial, operational and market information;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company’s expense;
- (g) we have appointed CMBC International Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (h) we have established our audit committee, remuneration committee, nomination committee and corporate governance committee with written terms of reference in compliance with the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules.

Based on the above, our Directors believe that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders’ interests after the Listing.

CONNECTED TRANSACTIONS

We have entered into the following transactions that will constitute continuing connected transactions under Rule 14A.31 of the Listing Rules upon Listing.

<u>Transactions</u>	<u>Applicable Listing Rules</u>	<u>Waiver</u>	Proposed annual cap for the years ending December 31, (RMB'000)		
			<u>2021</u>	<u>2022</u>	<u>2023</u>
Non-exempt continuing connected transactions					
Contractual Arrangements	Rule 14A.35 Rule 14A.36 Rule 14A.52 Rule 14A.53 Rule 14A.105	Announcement, independent shareholders' approval, annual cap, and three year term requirements	N/A	N/A	N/A

CONTRACTUAL ARRANGEMENTS

Background

As disclosed in the section headed “Contractual Arrangements”, due to regulatory restrictions on foreign ownership in China, we conduct substantially all of our business through our Consolidated Affiliated Entities in China. We do not hold any equity interests in our Consolidated Affiliated Entities. Rather, through the Contractual Arrangements, we effectively control these Consolidated Affiliated Entities and are able to derive substantially all of their economic benefits, and expect to continue to do so. See “Contractual Arrangements” for details.

Listing Rule implications

For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of ‘connected person’, our Consolidated Affiliated Entities will be treated as our Company’s subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and its associates will be treated as connected persons of our Company as applicable under the Listing Rules (excluding for this purpose, the Consolidated Affiliated Entities themselves). Therefore, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Reasons for the transaction and the waiver application

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our legal structure and business operations. Our Directors also believe that our structure, whereby the financial results of our Consolidated Affiliated Entities are consolidated into our financial statements as if they were our Company’s wholly-owned subsidiaries, and all the economic benefits of their business flows to our Group, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by our Consolidated Affiliated Entities and any member of our Group from time to time (including Consolidated Affiliated Entities) (the “**New Intergroup**

CONNECTED TRANSACTIONS

Agreements”) technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all such transactions 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 independent shareholders’ approval requirements.

WAIVERS

In respect of the Contractual Arrangements and New Intergroup Agreements, we have applied for, and the Stock Exchange has granted us, waivers from strict compliance with (i) the announcement, circular and independent shareholders’ approval requirements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement to set a term of three years or less under Rule 14A.52 of the Listing Rules, and (iii) the requirement to set annual caps under Rule 14A.53 of the Listing Rules, for so long as our Class B Shares are listed on the Stock Exchange subject to the following conditions.

No change without independent non-executive Directors’ approval

Save as described below, no change to the Contractual Arrangements (including with respect to any fees payable to the WFOE thereunder) will be made without the approval of our independent non-executive Directors.

No change without independent Shareholders’ approval

Save as described below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders’ approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company will however continue to be applicable.

Economic benefits and flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) our Group’s options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the equity interests in the Consolidated Affiliated Entities for nil consideration or the minimum amount of consideration permitted by applicable PRC Laws, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the WFOE by our Consolidated Affiliated Entities under the Contractual Arrangements, and (iii) our Group’s right to control the management and operation of, as well as, in substance, a substantial portion of the voting rights of the Consolidated Affiliated Entities.

Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between, on the one hand, our Company and the subsidiaries in which our Company has direct shareholding and, on the other hand, the Consolidated Affiliated Entities, this framework may be renewed and/or reproduced without an announcement, circular, or obtaining the approval of our Shareholders (i) upon the expiry of the existing arrangements, (ii) in connection with any changes to the shareholders or directors of, or of their shareholdings in, the Consolidated Affiliated Entities, or (iii) in relation to any existing, new or acquired wholly foreign-owned enterprise or operating company (including branch company) engaging in a business similar or relating to those of our Group.

CONNECTED TRANSACTIONS

The directors, chief executive or substantial shareholders of any existing, new or acquired wholly foreign-owned enterprise or operating company (including branch company) engaging in a business similar or relating to those of our Group will, upon renewal and/or reproduction of the Contractual Arrangements, 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. Any such renewed or reproduced agreements will be on substantially the same terms and conditions as the existing Contractual Arrangements.

Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an ongoing basis:

- 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 that for the relevant year (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 Consolidated Affiliated 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 Consolidated Affiliated Entities are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our 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 been approved by our Board, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our Consolidated Affiliated 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 Consolidated Affiliated Entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and its associates will be treated as connected persons of our Company as applicable under the Listing Rules (excluding for this purpose, the Consolidated Affiliated Entities themselves), and therefore transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules; and
- our Consolidated Affiliated Entities will, for so long as our Class B Shares are listed on the Stock Exchange, provide our Group's management and our Company's auditors with full access to its relevant records for the purpose of reporting on the connected transactions.

CONNECTED TRANSACTIONS

CONFIRMATIONS

Confirmation from the Directors

Our Directors (including independent non-executive Directors) are of the view that: (i) the continuing connected transactions set out above have been and will be entered into in our ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interests of our Company and our Shareholders as a whole; and (ii) it is normal business practise for the Contractual Arrangements to be of a term greater than three years.

Confirmation from the Joint Sponsors

The Joint Sponsors are of the view that: (i) the continuing connected transactions set out above have been and will be entered into in the Company's ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interest of the Company and its Shareholders as a whole; and (ii) it is normal business practise for the Contractual Arrangements to be of a term greater than three years.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Upon Listing, our Board will consist of 9 Directors, including 3 executive Directors, 3 non-executive Directors and 3 independent non-executive Directors, namely:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Roles and responsibilities</u>	<u>Date of joining our Group</u>	<u>Date of appointment as Director</u>
Mr. Zhang Shaofeng (張韶峰)	43	Executive Director, chairman, chief executive officer	Overall strategic planning and business direction of our Group; member of the nomination committee	March 2014	June 2018
Mr. Zhao Hongqiang (趙宏強)	44	Executive Director, chief financial officer	Financial strategy, financial management and investor relations	March 2014	June 2018
Ms. Zhao Jing (趙靜)	42	Executive Director, senior finance director	Overseeing corporate finance and accounting matters and financial reporting of our Group	August 2018	November 2020
Mr. Bai Linsen (柏林森)	48	Non-executive Director	Providing professional advice, opinion, and guidance to our Board; member of the audit committee; member of the remuneration committee	March 2014	June 2018
Mr. Ren Xuefeng (任雪峰)	41	Non-executive Director	Providing professional advice, opinion, and guidance to our Board	April 2018	August 2019
Mr. Li Qiang (李強)	52	Non-executive Director	Providing professional advice, opinion, and guidance to our Board	July 2018	July 2020
Professor Chen Zhiwu (陳志武)	58	Independent non-executive Director	Supervising and providing independent judgement to our Board; Chairman of the remuneration committee; member of the audit committee; Chairman of the corporate governance committee	Listing Date	Listing Date
Mr. Zhou Hao (周浩)	44	Independent non-executive Director	Supervising and providing independent judgement to our Board; Chairman of the audit committee; Chairman of the nomination committee; member of the remuneration committee; member of the corporate governance committee	Listing Date	Listing Date
Professor Guo Yike (郭毅可)	58	Independent non-executive Director	Supervising and providing independent judgement to our Board; member of the nomination committee; member of the corporate governance committee	Listing Date	Listing Date

Save as may be disclosed below, none of our Directors and members of senior management are related to other Directors or members of senior management. There is no material matter relating to our directors that needs to be brought to the attention of our shareholders and the information of our

DIRECTORS AND SENIOR MANAGEMENT

directors disclosed in this document comply with the requirements under Rule 13.51(2) of the Listing Rules in all material respects.

Executive Directors

Mr. Zhang Shaofeng (張韶峰), aged 43, is our founder, executive Director, chairman and chief executive officer of our Company. He is also a director of Beijing Bairong and serves as director or executive director in a number of our subsidiaries and consolidated affiliated entities¹.

Mr. Zhang has over 16 years of experience in operations and management of data analytics businesses and internet technology companies in China. Prior to founding our Company, Mr. Zhang served as a director, partner and chief data officer of Percent Corporation, an enterprise involved in data intelligence technology in China, from August 2010 to March 2014, with responsibility for the development and operations of their big data products. Before joining Percent Corporation, Mr. Zhang worked at Tianya Community Network, an information and e-commerce platform in China from February 2010 to August 2010. From May 2009 to January 2010, he worked at IBM (China) Investment Limited.

Mr. Zhang received both his bachelor's degree and master's degree in electrical engineering from Tsinghua University in China, in July 2000 and June 2003 respectively.

During the past three years, Mr. Zhang has not been a director of any listed companies.

Mr. Zhao Hongqiang (趙宏強), aged 44, is our executive Director and chief financial officer. He is also a director of Beijing Bairong.

Mr. Zhao currently serves as an independent director of HUYA Inc. (NYSE: HUYA), a leading China-based game live streaming company and Li Auto, Inc. (NASDAQ: LI), an innovator in China's new energy vehicle market, since May 2018 and July 2020 respectively. Previously, Mr. Zhao served as chief financial officer of NetEase Lede Technology Co., Ltd Beijing Branch from October 2014 to October 2015, and vice president of finance at SouFun Holdings Limited (now known as Fang Holdings Limited) (NYSE: SFUN) from May 2013 to August 2014. Mr. Zhao previously held the position of assistant chief auditor at the Public Company Accounting Oversight Board, a regulatory oversight agency under the SEC. He was also employed with KPMG LLP in the United States from August 2001 to February 2009, with the most recent position being Manager Audit.

Mr. Zhao received a bachelor's degree in accounting from Tsinghua University in China, in July 1999 and a master's degree in accountancy from George Washington University, in Washington D.C. in the United States, in July 2001.

Ms. Zhao Jing (趙靜), aged 42, is our executive Director. She has served as senior finance director of Beijing Bairong since August 2018.

Ms. Zhao served as the finance centre director of CITIC Press Corporation (SZSE: 300788) from March 2013 to October 2016. Prior to that, Ms. Zhao served as audit manager at KPMG Huazhen LLP in China, from August 2004 to February 2013.

Ms. Zhao received a bachelor's degree in accounting from Beijing Jiaotong University in China, in July 2001 and a master's degree in accounting and finance from the University of Southampton in the United Kingdom, in July 2004.

During the past three years, Ms. Zhao has not been a director of any listed companies.

¹ Bairong HK Limited, Baoshu Tech Limited, Banyan HK Limited, Tianjin Saiji Technology Co., Ltd, Tianjin Bairong Technology Co., Ltd., Tianjin Banyan Technology Co., Ltd., Tianjin Baoshu Technology Co., Ltd., Tianjin Bairong Zhisheng Technology Co., Ltd. and Bairong Zhixin (Beijing) Credit Co., Ltd.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Bai Linsen (柏林森), aged 48, has served as our non-executive Director since June 2018. He is also a director of Beijing Bairong.

Mr. Bai currently serves as vice president and chief technology officer of Saxo Fintech Co., Ltd., since August 2020. He served as vice president and chief technology officer of Shanghai Bingsheng Technology Co., Limited, from October 2018 to March 2020. Mr. Bai served as a director at Percent Corporation from April 2011 to January 2016.

Mr. Bai, a Chartered Financial Analyst holder, received a bachelor's degree in physics from University of Science and Technology of China in July 1991. He received a master's degree in Science from the University of Illinois in the United States in August 2000.

During the past three years, Mr. Bai has not been a director of any listed companies.

Mr. Ren Xuefeng (任雪峰), aged 41, has served as our non-executive Director since September 2019. He is also a director of Beijing Bairong.

Mr. Ren currently serves as managing director of the investment department at China Reform Fund Management Co., Ltd (“**China Reform Fund**”) since October 2017. He was previously executive director and investment director of the China Reform Fund from October 2016 to September 2017 and from March 2015 to September 2016 respectively. Mr. Ren currently serves as a director on the boards of Propitious Morningstar Limited since November 2018, CRF Summit Investment Limited since February 2019 and Waterdrop Investment Limited since March 2019. He is a licenced fund investor by the Asset Management Association of China.

Mr. Ren received a bachelor's degree in automation and control technology and instrumentation in July 2001 and a master's degree in mechanical engineering in November 2011, both from Harbin Institute of Technology in China.

During the past three years, Mr. Ren has not been a director of any listed companies.

Mr. Li Qiang (李強), aged 52, has served as our non-executive Director since July 2020. He is also a director of Beijing Bairong.

Mr. Li currently serves as the operating managing director of Zhuhai Hillhouse Equity Investment Management Co., Ltd., since February 2017.

Mr. Li received his bachelor's degree, master's degree and Ph.D. in aircraft design from Northwestern Polytechnical University in China in July 1991, July 1993 and June 1996 respectively. He also completed an executive master of business administration from China Europe International Business School in China, in August 2008.

During the past three years, Mr. Li has not been a director of any listed companies.

Independent non-executive Directors

Professor Chen Zhiwu (陳志武), aged 58, will be our independent non-executive Director with effect from Listing.

DIRECTORS AND SENIOR MANAGEMENT

Professor Chen is a director of the Asia Global Institute and Chair Professor of Finance and the Victor and William Fung Professor in Economics at the University of Hong Kong since July 2016. Previously, Professor Chen was a professor of finance at Yale University for 18 years until 2017. He was also a special-term visiting professor at Peking University (School of Economics) and Tsinghua University (School of Social Sciences). Professor Chen was a PACAP Research Fellow at the University of Wisconsin-Madison in the United States from 1994 to 1995. Professor Chen received the Graham and Dodd Award for his research in 2013.

Professor Chen has served as an independent director and chairman of the corporate governance and nominating committee of Noah Holdings (NYSE: NOAH), since December 2013. Previously, Professor Chen was an independent non-executive director of IDG Energy Investment Limited (formerly known as Shun Cheong Holdings Limited) (HKEX: 650) from July 2015 to October 2018, Bank of Communications Co., Ltd. (HKEX: 3328) from August 2010 to August 2018 and PetroChina Company Limited (HKEX: 857) from May 2011 to June 2017.

Professor Chen received his Ph.D. from Yale University in the United States, in December 1990.

Mr. Zhou Hao (周浩), aged 44, will be our independent non-executive Director with effect from Listing.

Mr. Zhou is the chief strategic officer and president of international business of 58.com Inc., (NYSE: WUBA, delisted), a company that operates online marketplace serving local merchants and consumers in China since April 2020 and September 2019 respectively. Mr. Zhou served as chief financial officer of 58.com Inc., from May 2011 to September 2019. In September 2010, Mr. Zhou joined CITIC Pharmaceutical Co Ltd., a pharmaceutical service provider that supplies medicine and related consumables to hospitals as chief financial officer. Mr. Zhou was the vice president of finance and the chief financial officer at Wuxi PharmaTech (Cayman) Inc. (NYSE: WX, delisted) from May 2009 to September 2010. Mr. Zhou joined General Electric (China) Co., Ltd. in January 2007 as a financial manager.

Mr. Zhou has served as an independent non-executive director, chairman of the audit committee and member of the nomination committee of Meitu, Inc. (HKEX: 1357) since December 2016.

Mr. Zhou received his bachelor's degree from Shanghai International Studies University in China, in July 1998.

Professor Guo Yike (郭毅可), aged 58, will be our independent non-executive director with effect from Listing.

Professor Guo has served as the Vice-President (Research and Development) of Hong Kong Baptist University since January 2020. Professor Guo is a Professor of Computing Science and the founding Director of the Data Science Institute at Imperial College London.

Professor Guo has served as an independent non-executive director of Tatwah Smartech Co., Ltd. (SZSE: 002512) since March 2018. Professor Guo has also served as an independent non-executive director of Lizhi Inc. (NASDAQ: LIZI) since September 2020 and as an independent director of Zhongguancun Development Group Co., Ltd. since December 2020. He was elected as a Fellow of the Royal Academy of Engineering (FREng) and a Member of Academia Europaea (MAE) in 2018.

Professor Guo received his bachelor's degree in Computer Science from Tsinghua University in China, in July 1985 and his PhD in Engineering from Imperial College London in the United Kingdom, in August 1994.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management team comprises of Mr. Zhang Shaofeng, Mr. Zhao Hongqiang and Ms. Zhao Jing, who are each an executive Director of our Company. See their biographies in the part headed “—Directors—Executive Directors”.

JOINT COMPANY SECRETARIES

Mr. Chen Chunyang (陳春陽), is our joint company secretary. Mr. Chen joined our Group in May 2017, and has served in various capacities including as chief investment officer. He joined Shanghai Fangchuang Financial Information Service Co., Ltd., a venture capitalist investor, from April 2014 to May 2017. Mr. Chen received his bachelor’s degree in electronic information engineering from the Tianjin University of Technology in China in June 2014.

Ms. Leung Shui Bing (梁瑞冰), is our joint company secretary. Ms. Leung currently serves as a manager of the listing services department at TMF Hong Kong Limited. Ms. Leung is currently a joint company secretary of Shanghai Kindly Medical Instruments Co., Ltd. (HKEX: 1501), IntelliCentrics Global Holdings Ltd. (HKEX: 6819), Lianhua Supermarket Holdings Co., Ltd. (HKEX: 980), Kangji Medical Holdings Limited (HKEX: 9997) and Immunotech Biopharm Ltd (HKEX: 6978).

Ms. Leung obtained her bachelor’s degree in business and management studies (accounting and finance) from the University of Bradford in the United Kingdom in July 2008, and a master’s degree in corporate governance from the Open University of Hong Kong in August 2017. Ms. Leung is a Chartered Secretary, a Chartered Governance Professional and an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

Audit committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board. The audit committee comprises three members, namely Mr. Zhou Hao, Mr. Bai Linsen and Professor Chen Zhiwu, with Mr. Zhou Hao (being our independent non-executive Director with the appropriate professional qualifications) as chairperson of the audit committee.

Remuneration committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The remuneration committee comprises three members, namely Professor Chen Zhiwu, Mr. Zhou Hao and Mr. Bai Linsen, with Professor Chen Zhiwu as chairperson of the remuneration committee.

DIRECTORS AND SENIOR MANAGEMENT

Nomination committee

We have established a nomination committee with written terms of reference in compliance with Rule 8A.27 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The nomination committee comprises three members, namely Mr. Zhang Shaofeng, Professor Guo Yike and Mr. Zhou Hao, with Mr. Zhou Hao as chairperson of the nomination committee.

Corporate governance committee

We have established a corporate governance committee in compliance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the corporate governance committee are to ensure that the Company is operated and managed for the benefit of all shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to the WVR structure of the Company.

The corporate governance committee comprises of three independent non-executive Directors, namely Professor Chen Zhiwu, Professor Guo Yike and Mr. Zhou Hao. Professor Chen Zhiwu is the chairperson of the committee. For details of their experience in corporate governance related matters, see their biographies in “—Directors—Independent non-executive Directors” above.

In accordance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 of the Listing Rules, the work of our corporate governance committee as set out in its terms of reference includes:

- (a) to develop and review the Company's policies and practises on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company's policies and practises on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- (e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report;
- (f) to review and monitor whether the Company is operated and managed for the benefit of all its shareholders;
- (g) to confirm, on an annual basis, that the beneficiaries of weighted voting rights have been members of the Company's board of directors throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year;
- (h) to confirm, on an annual basis, whether or not the beneficiaries of weighted voting rights have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;
- (i) to review and monitor the management of conflicts of interests and make a recommendation to the Board on any matter where there is a potential conflict of interest between the Company, its subsidiary or consolidated affiliated entity and/or shareholder on one hand and any beneficiary of weighted voting rights on the other;

DIRECTORS AND SENIOR MANAGEMENT

- (j) to review and monitor all risks related to the Company's WVR structure, including connected transactions between the Company and/or its subsidiary or consolidated affiliated entity and/or shareholder on one hand and any beneficiary of weighted voting rights on the other and make a recommendation to the Board on any such transaction;
- (k) to make a recommendation to the Board as to the appointment or removal of the Compliance Adviser;
- (l) to seek to ensure effective and on-going communication between the Company and its shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules; and
- (m) to report on the work of the corporate governance committee on at least a half-yearly and annual basis covering all areas of its terms of reference, including disclosing, on a comply or explain basis, its recommendations to the Board in respect of the matters in items (i) to (k) above.

Pursuant to Rule 8A.32 of the Listing Rules, the Corporate Governance Report prepared by our Company for inclusion in our interim and annual reports after Listing will include a summary of the work of the corporate governance committee for the relevant period.

Role of our Independent Non-executive Directors

Pursuant to Rule 8A.26 of the Listing Rules, the role of the independent non-executive directors of a listed company with WVR structure must include, but is not limited to, the functions described in code provisions A.6.2, A.6.7 and A.6.8 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The functions of our independent non-executive Directors include:

- (a) participating in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- (b) taking the lead where potential conflicts of interests arise;
- (c) serving on the audit, remuneration, nomination and other governance committees, if invited;
- (d) scrutinising our Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;
- (e) giving the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation;
- (f) making a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments; and
- (g) attending general meetings and developing a balanced understanding of the views of our Shareholders.

Corporate Governance Code

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules save for the below.

Code provision A.2.1 of the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules, recommends, but does not require, that the roles of chairman and chief executive should be separate and should not be performed by the same person. The Company deviates from this provision because Mr. Zhang performs both the roles of the Chairman of the Board

DIRECTORS AND SENIOR MANAGEMENT

and the chief executive officer of the Company. Mr. Zhang is the founder of the Group and has extensive experience in the business operations and management of our Group. Our Board believes that vesting the roles of both chairman and chief executive officer to Mr. Zhang has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning. This structure will enable our Company to make and implement decisions promptly and effectively. Our Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and three independent non-executive Directors. Our Board will reassess the division of the roles of chairman and the chief executive officer from time-to-time, and may recommend dividing the two roles between different people in the future, taking into account the circumstances of our Group as a whole.

Board diversity

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the nomination committee will consider a number of factors, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. Pursuant to the board diversity policy, the nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

Management presence

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules. See "Waivers and exemptions" for further details.

REMUNERATION

Our Directors receive remuneration, including salaries, allowances and benefits in kind, including our contribution to the pension plan on their behalf.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 was approximately RMB1.1 million, RMB2.8 million, RMB3.8 million and RMB3.1 million, respectively. None of our Directors waived any remuneration during the aforesaid periods.

The five highest paid individuals of our Group for the year ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 included nil, nil, nil, and 1 Directors, respectively. The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and

DIRECTORS AND SENIOR MANAGEMENT

benefits in kind, contributions to pension plans and discretionary bonuses) for the remaining highest paid individuals for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 was RMB6.8 million, RMB13.5 million, RMB14.4 million and RMB8.2 million, respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 by our Company to our Directors or senior management.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director or any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

COMPLIANCE ADVISER

We have appointed CMBC International Capital Limited as our Compliance Adviser pursuant to Rules 3A.19 and 8A.33 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rules 3A.23 and 8A.34 of the Listing Rules, the Compliance Adviser will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document;
- (d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules;
- (e) the WVR structure;
- (f) transactions in which any beneficiary of weighted voting rights in the Company has an interest; and
- (g) where there is a potential conflict of interest between the Company, its subsidiary and/or Shareholders (considered as a group) on one hand and any beneficiary of weighted voting rights in the Company on the other.

The term of appointment of the Compliance Adviser shall commence on the Listing Date. Pursuant to Rule 8A.33 of the Listing Rules, the Company is required to engage a compliance advisor on a permanent basis.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering and the Share Subdivision (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes), the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of any class of share of our Company or any other member of our Group:

Substantial shareholders of our Company

<u>Name of Shareholder</u>	<u>Capacity / Nature of interest</u>	<u>Number of Shares ⁽¹⁾</u>	<u>Approximate % of shareholding in each class of share of our Company after the Global Offering ⁽¹⁾</u>
<i>Class A Shares</i>			
Genisage Tech Inc. ⁽²⁾	Beneficial owner	84,299,615	100%
Genisage Holdings Limited ⁽²⁾	Interest in controlled corporations	84,299,615	100%
Mr. Zhang ⁽²⁾	Founder of a trust	84,299,615	100%
<i>Class B Shares</i>			
HH BR-I Holdings Limited ⁽³⁾	Beneficial owner	40,493,370	9.85%
Tianjin GLTC Enterprise Management Consultation, L.P. ⁽³⁾	Interest in controlled corporations	40,493,370	9.85%
Zhuhai Gaoling Tiancheng Investment Management Co., Ltd. ⁽³⁾	Interest in controlled corporations	46,035,585	11.20%
CRF Summit Investment Limited ⁽⁴⁾	Beneficial owner	28,170,780	6.85%
Tianjin Shenghua Tianxi Enterprise Management Partnership L.P. ⁽⁴⁾	Interest in controlled corporations	28,170,780	6.85%
Xinjiang Guoxin Equity Investment Management Co., Ltd. ⁽⁴⁾	Interest in controlled corporations	44,571,580	10.84%
China Reform Investment Fund Management Co., Ltd. ⁽⁴⁾	Interest in controlled corporations	44,571,580	10.84%
China Reform Fund Management Co., Ltd. ⁽⁴⁾	Interest in controlled corporations	44,571,580	10.84%
China Reform Holdings Corporation Ltd. ⁽⁴⁾	Interest in controlled corporations	44,571,580	10.84%
Max Elegant Limited ⁽⁵⁾	Beneficial owner	30,937,545	7.53%
Tianjin Sequoia Huanrong Enterprise Management Consulting Center L.P. ⁽⁵⁾	Interest in controlled corporations	30,937,545	7.53%
Sequoia Capital Equity Investment Management (Tianjin) Limited ⁽⁵⁾	Interest in controlled corporations	30,937,545	7.53%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Capacity / Nature of interest	Number of Shares ⁽¹⁾	Approximate % of shareholding in each class of share of our Company after the Global Offering ⁽¹⁾
Mr. Kui Zhou ⁽⁵⁾	Interest in controlled corporations	30,937,545	7.53%
Qianhai Golden Bridge IV LP ⁽⁶⁾	Beneficial owner	25,704,335	6.25%
Qianhai Golden Bridge Management Ltd ⁽⁶⁾	Interest in controlled corporations	25,704,335	6.25%
Qianhai Golden Bridge Co., Ltd. ⁽⁶⁾	Interest in controlled corporations	25,704,335	6.25%
CICC Qianhai Development (Shenzhen) Fund Management Co., Ltd ⁽⁶⁾	Interest in controlled corporations	25,704,335	6.25%
CICC Capital Operation Co., Ltd. ⁽⁶⁾	Interest in controlled corporations	25,704,335	6.25%
China International Capital Corporation Limited ⁽⁶⁾	Interest in controlled corporations	25,704,335	6.25%
Wu Capital Limited ⁽⁷⁾	Beneficial owner	24,314,910	5.92%
TMF (Cayman) Ltd. ⁽⁷⁾	Interest in controlled corporations	24,314,910	5.92%
Ms. Xinyi Cai ⁽⁷⁾	Founder of a trust	24,314,910	5.92%
IDG-Accel China Growth Fund GP III Associates Ltd. ⁽⁸⁾	Interest in controlled corporations	21,042,090	5.12%
Mr. Quan Zhou ⁽⁸⁾	Interest in controlled corporations	21,042,090	5.12%
Mr. Chi Sing Ho ⁽⁸⁾	Interest in controlled corporations	21,042,090	5.12%

Notes:

- (1) The table above assumes (i) the ordinary shares held by Genisage Tech Inc. will be reclassified and redesignated as class A ordinary shares of par value US\$0.0001 each, (ii) the remaining issued ordinary shares will be reclassified and redesignated as, and the Pre-IPO Preferred Shares will be automatically converted into, class B ordinary shares of par value US\$0.0001 each, (iii) the Share Subdivision is completed, (iv) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (v) the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes, (vi) no Shares are issued or cancelled and no other potential change to the share capital materialise as described in “—Potential changes to share capital” below, and (vii) no Class A Shares are converted into Class B Shares.
- (2) Genisage Tech Inc. is wholly owned by Genisage Holdings Limited. The entire interest in Genisage Holdings Limited is held through a trust which was established by Mr. Zhang (as settlor) for the benefit of himself and his family. GeniAI Tech Ltd. is wholly owned by RongXing Trust, which is managed by Mr. Zhang and two employees. Therefore Mr. Zhang is deemed to hold interests in Genisage Tech Inc. and GeniAI Tech Ltd..
- (3) HH BR-I Holdings Limited is wholly owned by Tianjin GLTC Enterprise Management Consultation, L.P.. HH BR-III Holdings Limited is wholly owned by Tianjin GLZY Enterprise Management Consultation, L.P.. The general partner of both Tianjin GLTC Enterprise Management Consultation, L.P. and Tianjin GLZY Enterprise Management Consultation, L.P. is Zhuhai Gaoling Tiancheng Investment Management Co., Ltd..
- (4) CRF Summit Investment Limited is wholly owned by Tianjin Shenghua Tianxi Enterprise Management Partnership L.P. and Waterdrop Investment Limited is wholly owned by Tianjin Zhonghe Tianxi Enterprise Management Partnership L.P., with Xinjiang Guoxin Equity Investment Management Co., Ltd. being their sole management company. Xinjiang Guoxin Equity Investment Management Co., Ltd. is wholly owned by China Reform Investment Fund Management Co., Ltd., with China Reform Fund Management Co., Ltd. being its largest single shareholder. China Reform Fund Management Co., Ltd. is wholly owned by China Reform Holdings Corporation Ltd..
- (5) Max Elegant Limited is controlled by Tianjin Sequoia Huanrong Enterprise Management Consulting Center L.P., whose general partner is Sequoia Capital Equity Investment Management (Tianjin) Limited, which is owned by Kui Zhou and Lianqing Zhang as to 70% and 30% respectively.

SUBSTANTIAL SHAREHOLDERS

- (6) Qianhai Golden Bridge IV LP is a limited partnership established in the Cayman Islands controlled by Qianhai Golden Bridge Management Ltd, which is wholly owned by Qianhai Golden Bridge Co., Ltd. Qianhai Golden Bridge Co., Ltd is wholly owned by CICC Qianhai Development (Shenzhen) Fund Management Co., Ltd.. CICC Qianhai Development (Shenzhen) Fund Management Co., Ltd. is controlled by CICC Capital Operation Co., Ltd., which is wholly owned by China International Capital Corporation Limited.
- (7) Wu Capital Limited is wholly owned by TMF (Cayman) Ltd., which is the trustee of a family trust set up by Ms. Xinyi Cai.
- (8) IDG-Accel China Growth Fund GP III Associates Limited indirectly controls IDG-Accel China Growth Fund III L.P. and is the general partner of IDG-Accel China III Investors L.P., each a shareholder of the Company. IDG-Accel China Growth Fund GP III Ltd. is managed and ultimately controlled by Mr. Quan Zhou and Mr. Chi Sing Ho.

Substantial shareholders of other members of our Group

<u>Member of our Group</u>	<u>Name of substantial shareholder</u>	<u>Nature of interest</u>	<u>Approximate % held by the substantial shareholder</u>
Liming	Asia Investment Huijin (Beijing) Assets Management Co., Ltd.	Beneficial interest	21.60%
Liming	Gongqingcheng Dabao Investment Partnership (LP)	Beneficial interest	10.00%

Except as disclosed above, our Directors are not aware of any other person who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes), have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of any class of shares of our Company or any other member of our Group.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe for such number of Offer Shares that may be purchased with an aggregate amount of approximately US\$220 million (approximately HK\$1,707 million) at the Offer Price (the “**Cornerstone Placing**”).

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.24 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any Board representation in our Company and will not become substantial shareholders of our Company. To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party, is independent of other Cornerstone Investors, is not an existing Shareholder, is not financed by us, our Directors, chief executive, existing Shareholders, or any of its subsidiaries or their respective close associates, and is not accustomed to take instructions from us, our Directors, chief executive, existing Shareholders or any of its subsidiaries or their respective close associates. There are no side arrangements between us and the Cornerstone Investors. We became acquainted with each of the Cornerstone Investors through introduction by certain Underwriters. As confirmed by each Cornerstone Investor, their subscription under the Cornerstone Placing would be financed by their own internal financial resources and/or the financial resources of their shareholders.

There will be no delayed settlement of Offer Shares to be subscribed by the Cornerstone Investors. There may be delayed delivery of the Offer Shares to be subscribed by certain Cornerstone Investors. If there is delayed delivery, the Cornerstone Investors have agreed that they shall nevertheless pay for the relevant Offer Shares on the Listing Date, therefore there will be no delayed settlement. If there is no over-allocation in the International Offering, delayed delivery will not take place. The Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation in the event of over-subscription under the Hong Kong Offering, as described in “Structure of the Global Offering—The Hong Kong Offering—Reallocation”. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by us on or around March 30, 2021.

The table below sets forth details of the Cornerstone Placing:

Cornerstone Investor	Subscription amount (US\$ in millions)	Number of Offer Shares ⁽¹⁾	Assuming an Offer Price of HK\$26.50 per Share (being the low-end of the Offer Price range)			
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
			Approximate % of the Offer Shares	Approximate % of the issued share capital ⁽²⁾	Approximate % of Offer Shares	Approximate % of the issued share capital ⁽²⁾
Cederberg	120	35,131,000	28.37%	7.09%	24.67%	6.84%
China Structural Reform Fund	58	16,980,000	13.71%	3.43%	11.92%	3.30%
Franchise Fund LP	42	12,295,500	9.93%	2.48%	8.63%	2.39%
<i>Total</i>	<i>220</i>	<i>64,406,500</i>	<i>52.02%</i>	<i>13.00%</i>	<i>45.23%</i>	<i>12.53%</i>

CORNERSTONE INVESTORS

Cornerstone Investor	Assuming an Offer Price of HK\$29.15 per Share (being the mid-point of the Offer Price range)					
	Subscription amount	Number of Offer Shares ⁽¹⁾	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
	(US\$ in millions)		Approximate % of the Offer Shares	Approximate % of the issued share capital ⁽²⁾	Approximate % of Offer Shares	Approximate % of the issued share capital ⁽²⁾
Cederberg	120	31,937,500	25.79%	6.45%	22.43%	6.22%
China Structural Reform Fund	58	15,436,000	12.47%	3.12%	10.84%	3.00%
Franchise Fund LP	42	11,178,000	9.03%	2.26%	7.85%	2.18%
<i>Total</i>	<i>220</i>	<i>58,551,500</i>	<i>47.29%</i>	<i>11.82%</i>	<i>41.12%</i>	<i>11.39%</i>

Cornerstone Investor	Assuming an Offer Price of HK\$31.80 per Share (being the high-end of the Offer Price range)					
	Subscription amount	Number of Offer Shares ⁽¹⁾	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
	(US\$ in millions)		Approximate % of the Offer Shares	Approximate % of the issued share capital ⁽²⁾	Approximate % of Offer Shares	Approximate % of the issued share capital ⁽²⁾
Cederberg	120	29,276,000	23.64%	5.91%	20.56%	5.70%
China Structural Reform Fund	58	14,150,000	11.43%	2.86%	9.94%	2.75%
Franchise Fund LP	42	10,246,500	8.28%	2.07%	7.20%	1.99%
<i>Total</i>	<i>220</i>	<i>53,672,500</i>	<i>43.35%</i>	<i>10.84%</i>	<i>37.69%</i>	<i>10.44%</i>

Notes:

(1) Subject to rounding down to the nearest whole board lot of 500 Class B Shares. Calculated based on the exchange rate set out in “Information about this document and the Global Offering—Exchange rate”.

(2) Immediately following the completion of the Global Offering, assuming no Shares are issued under the Share Schemes.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Cederberg

Cederberg Capital Limited (“**Cederberg**”), incorporated in the United Kingdom in 2011, is a London-based Alternative Investment Fund Manager authorised and regulated by the UK’s Financial Conduct Authority (reference 775092). Cederberg is an independent, wholly-owned subsidiary of the majority employee-owned Cederberg Capital (Cayman) Ltd. It manages capital on behalf of institutions and families, utilising a long-term, fundamentals-driven investment approach. With offices in London and Shanghai, Cederberg’s investment strategy focuses on a 3M philosophy—durable Moats, excellent Management and a large Margin of safety. Since 2011 Cederberg has invested in China’s leading technology, consumer and health-care companies listed in Shanghai, Shenzhen, Hong Kong and the United States.

China Structural Reform Fund

China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) (“**China Structural Reform Fund**”) is a company incorporated in the PRC held by several state-owned enterprises and indirectly controlled by SASAC. It is mainly engaged in business activities including non-public fundraising, equity investment, project investment, capital management, investment consulting and enterprise management consulting. Its initial asset under management is approximately RMB131 billion. For the purpose of this cornerstone investment, China Structural Reform Fund has engaged Shanghai Haitong Securities Asset Management Co., Ltd. (“**HT AM**”), an asset manager that is a qualified domestic institutional investor as approved by the relevant PRC authority, in the name of HAITONG ASSET MANAGEMENT AN YING HAI WAI No. 9 DIRECTIONAL INVESTMENT SCHEME to subscribe for and hold such Offer Shares on a discretionary basis on behalf of China Structural Reform Fund.

HT AM is a subsidiary of Haitong Securities Co., Ltd. (“**HT Securities**”), the parent company of Haitong International Securities Company Limited (“**HTI Securities**”). Accordingly, HT AM is a

CORNERSTONE INVESTORS

connected client of HTI Securities. HTI Securities has been appointed by our Company as one of the Joint Bookrunners of the Global Offering.

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit China Structural Reform Fund to participate in the Global Offering through HT AM as a cornerstone investor subject to certain conditions. See “Waivers and exemptions—Waiver in respect of proposed share subscription by China Structural Reform Fund through HT AM” for further details.

Franchise Fund LP

Franchise Fund LP (the predecessor entity of which is Franchise Fund Ltd, founded in 2014) is a value-oriented long/short hedge fund established by Mr Wang Shihong in 2020. Mr Wang was previously a portfolio manager at Hillhouse Capital from 2011 to 2014, a long/short investment firm with a demonstrated history of success. He was based in Beijing and mainly focused on financial and properties sectors in the PRC.

Franchise Fund LP seeks to invest in the early stage of the great businesses with innovation, huge economic moat, strong organisation, and high internal rate of return with reasonable safe margins. Franchise Fund LP employs a fundamental, bottom-up approach, focusing on the internet, software, consumer, healthcare, property and financial sectors. Its asset under management is approximately US\$1.83 billion.

CLOSING CONDITIONS

The subscription obligation of each Cornerstone Investor under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (a) the underwriting agreements for the Hong Kong Offering and the International Offering 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 aforesaid underwriting agreements having been terminated;
- (b) the Offer Price having been agreed upon between our Company and the Joint Representatives (on behalf of the underwriters of the Global Offering);
- (c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Class B Shares (including the Class B Shares subscribed for by the Cornerstone Investors) 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 Class B Shares on the Stock Exchange;
- (d) no Laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective 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
- (e) the representations, warranties, undertakings and confirmations of such Cornerstone Investor under the respective Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no breach of such Cornerstone Investment Agreement on the part of such Cornerstone Investor.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investor Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of our authorised share capital and the amount in issue and to be issued as fully paid or credited as fully paid immediately prior to and following completion of the Global Offering.

Share capital as at the date of this document

Authorised share capital

<u>Number</u>	<u>Description of share</u>	<u>Aggregate nominal value</u>
455,626,898	ordinary share with a par value of US\$0.0001 each	US\$45,562.69
44,373,102	Pre-IPO Preferred Share with a par value of US\$0.0001 each	US\$4,437.31
Total		US\$50,000.00

Issued, fully paid, or credited to be fully paid

<u>Number</u>	<u>Description of share</u>	<u>Aggregate nominal value</u>
30,315,353	ordinary share with a par value of US\$0.0001 each	US\$3,031.54
43,978,013	Pre-IPO Preferred Share with a par value of US\$0.0001 each	US\$4,397.80
Total		US\$7,429.34

Share capital immediately following completion of the Global Offering

Pursuant to the resolutions of the Shareholders on March 16, 2021, subject to the Global Offering becoming unconditional and with effect immediately prior to the Listing, (i) the Company's ordinary shares and Pre-IPO Preferred Shares will be reclassified, redesignated and converted into class A ordinary shares and class B ordinary shares, and (ii) the Share Subdivision will be effected. The tables below assumes (i) the ordinary shares held by Genisage Tech Inc. will be reclassified and redesignated as class A ordinary shares of par value US\$0.0001 each, (ii) the remaining issued ordinary shares will be reclassified and redesignated as, and the Pre-IPO Preferred Shares will be automatically converted into, class B ordinary share of par value US\$0.0001 each, (iii) the Share Subdivision is completed, (iv) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (v) the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes, (vi) no Shares are issued or cancelled and no other potential change to the share capital materialise as described in "—Potential changes to share capital" below, and (vii) no Class A Shares are converted into Class B Shares.

Authorised share capital

<u>Number</u>	<u>Description of share</u>	<u>Aggregate nominal value</u>
500,000,000 .	Class A Share	US\$10,000.00
2,000,000,000	Class B Share	US\$40,000.00
Total		US\$50,000.00

SHARE CAPITAL

Issued, fully paid, or credited to be fully paid

Number	Description of share	Aggregate nominal value
84,299,615	Class A Share in issue	US\$1,685.99
287,167,215	Class B Share in issue	US\$5,743.34
123,822,500	Class B Shares to be issued pursuant to the Global Offering	US\$2,476.45
Total		US\$9,905.79

Ranking

The Offer Shares are Class B Shares and rank equally with all Class B Shares currently in issue or to be issued as mentioned in this document and, in particular, will rank equally for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

WEIGHTED VOTING RIGHTS STRUCTURE

WVR structure

The Company is proposing to adopt a weighted voting rights structure effective immediately prior to completion of the Global Offering. Under this structure, the Company's share capital will comprise Class A Shares and Class B Shares. Each Class A Share will entitle the holder to exercise 10 votes, and each Class B Share will entitle the holder to exercise one vote, on any resolution tabled at the Company's general meetings, except for resolutions with respect to the Reserved Matters, in relation to which each Share is entitled to one vote.

The Reserved Matters are:

- (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares;
- (ii) the appointment, election or removal of any independent non-executive Director;
- (iii) the appointment or removal of the Company's auditors; and
- (iv) the voluntary liquidation or winding-up of the Company.

In addition, Shareholders, including holders of Class B Shares, holding not less than one-tenth of the paid up capital of the Company that carries the right of voting at general meetings (i.e. on a one vote per share basis) are entitled to convene an extraordinary general meeting of the Company and add resolutions to the meeting agenda.

For further details, see the summary of the Articles of Association in Appendix IV.

The table below sets out the ownership and voting rights controlled by the WVR Beneficiary upon completion of the Global Offering:

	Number of shares	Approximate % of issued share capital ⁽¹⁾	Approximate % of voting rights ⁽¹⁾⁽²⁾
Class A Shares	84,299,615	17.02	67.23
Class B Shares	15,000,000	3.03	1.20
Total	99,299,615	20.05	68.42

SHARE CAPITAL

Notes:

- (1) Assuming that the ordinary shares and Pre-IPO Preferred Shares will be reclassified and redesignated as class A ordinary shares and converted into class B ordinary shares upon the Global Offering becoming unconditional, immediately before the Share Subdivision is completed and assuming that the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes.
- (2) Class A Shares entitle the Shareholder to 10 votes per share and Class B Shares entitle the Shareholder to one vote per share, except for resolutions with respect to the Reserved Matters for which each Share entitles each Shareholder to one vote per share.

Class A Shares may be converted into Class B Shares on a one to one ratio. Upon the conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will issue 84,299,615 Class B Shares, representing approximately 20.51% of the total number of issued and outstanding Class B Shares (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes).

The weighted voting rights attached to our Class A Shares will cease when the WVR Beneficiary no longer has beneficial ownership of any of our Class A Shares, in accordance with Rule 8A.22 of the Listing Rules. This may occur:

- (i) upon the occurrence of any of the circumstances set out in Rule 8A.17 of the Listing Rule, in particular where the WVR Beneficiary is: (1) deceased; (2) no longer a member of our Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a director; or (4) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules;
- (ii) when the holders of Class A Shares have transferred to another person the beneficial ownership of, or economic interest in, all of the Class A Shares or the voting rights attached to them, other than in the circumstances permitted by Rule 8A.18 of the Listing Rule;
- (iii) where a vehicle holding Class A Shares on behalf of a WVR Beneficiary no longer complies with Rule 8A.18(2) of the Listing Rule; or
- (iv) when all of the Class A Shares have been converted to Class B Shares.

Save for the weighted voting rights attached to Class A Shares, the rights attached to all classes of Shares are identical. For further information about the rights, preferences, privileges and restrictions of the Class A Shares and Class B Shares, see “Summary of the constitution of the Company and Cayman Islands company law—Articles of Association” in Appendix IV for further details.

WVR Beneficiary

Immediately upon completion of the Global Offering, the WVR Beneficiary will be Mr. Zhang. Mr. Zhang will be interested in 84,299,615 Class A Shares, representing approximately 67.23% of the voting rights in the Company, and be entitled to control 15,000,000 Class B Shares representing approximately 1.20% of the voting rights in the Company (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes) with respect to shareholder resolutions relating to matters other than the Reserved Matters. The Class A Shares are held by Genisage Tech Inc., which is wholly owned by Genisage Holdings Limited. The entire interest in Genisage Holdings Limited is held through a trust which was established by Mr. Zhang (as settlor) for the benefit of himself and his family.

The Company is adopting the WVR structure to enable the WVR Beneficiary to exercise voting control over the Company notwithstanding that the WVR Beneficiary does not hold a majority economic interest in the share capital of the Company. This will enable the Company to benefit from the continuing vision and leadership of the WVR Beneficiary who will control the Company with a view to its long-term prospects and strategy.

SHARE CAPITAL

Prospective investors are advised to be aware of the potential risks of investing in companies with a WVR structure, in particular that the interests of the WVR Beneficiary may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiary will be in a position to exert significant influence over the affairs of our Company and the outcome of Shareholders' resolutions, irrespective of how other Shareholders vote. Prospective investors should make the decision to invest in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure, see "Risk factors—Risks relating to our WVR structure".

Undertakings by the WVR Beneficiary

Pursuant to Rule 8A.43 of the Listing Rules, each WVR Beneficiary is required to give a legally enforceable undertaking to the Company that he will comply with the relevant requirements as set out in Rule 8A.43, which is intended to be for the benefit of and enforceable by the Shareholders. On March 16, 2021, Mr. Zhang made an undertaking to the Company (the "**Undertaking**"), that for so long as he is a WVR Beneficiary:

- (a) he shall comply with (and, if the shares to which the weighted voting rights that he is beneficially interested in are attached are held through a limited partnership, trust, private company, or other vehicle, use his best endeavours to procure that such limited partnership, trust, private company or other vehicle complies with) all applicable requirements under Rules 8A.09, 8A.14, 8A.15, 8A.17, 8A.18 and 8A.24 of the Listing Rules from time to time in force (the "**Requirements**"); and
- (b) he shall use his best endeavours to procure that the Company complies with all applicable Requirements.

For the avoidance of doubt, the Requirements are subject to Rule 2.04 of the Listing Rules. The WVR Beneficiary acknowledged and agreed that the Shareholders rely on the Undertaking in acquiring and holding their shares. The WVR Beneficiary acknowledged and agreed that the Undertaking is intended to confer a benefit on the Company and all Shareholders and may be enforced by the Company and/or any Shareholder against the WVR Beneficiary.

The Undertaking shall automatically terminate upon the earlier of (i) the date of delisting of the Company from the Stock Exchange, and (ii) the date on which the WVR Beneficiary ceases to be a beneficiary of weighted voting rights in the Company. For the avoidance of doubt, the termination of the Undertaking shall not affect any rights, remedies, obligations or liabilities of the Company and/or any Shareholder and/or the WVR Beneficiary himself that have accrued up to the date of termination, including the right to claim damages and/or apply for any injunction in respect of any breach of the Undertaking which existed at or before the date of termination.

The Undertaking shall be governed by the laws of Hong Kong and all matters, claims or disputes arising out of the Undertaking shall be subject to the exclusive jurisdiction of the courts of Hong Kong.

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances under which general meeting and class meeting are required

Our Company may by ordinary resolution (i) increase its share capital by the creation of new shares; (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; (iii) 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 (iv) sub-divide its shares or any of them into shares of smaller amount. In addition, our Company may by special resolution reduce its share capital or any capital redemption reserve subject to any conditions prescribed by the Cayman Companies Act.

SHARE CAPITAL

See “Summary of the constitution of our Company and Cayman Islands company law—Articles of Association—Alteration of capital” in Appendix IV for further details.

If at any time the share capital of our 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 Cayman Companies Act, be varied or abrogated only with (in addition to a special resolution to amend the Memorandum or the Articles) 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 resolution passed at a separate meeting of the holders of the shares of that class by members holding shares representing three-fourths in nominal value of the shares Present (as defined in the Articles) and voting at such meeting.

See “Summary of the constitution of our Company and Cayman Islands company law —Articles of Association—Variation of rights of existing shares or classes of shares” in Appendix IV for further details.

General mandate to issue Shares

Subject to the Global Offering becoming unconditional, our Directors were granted a general mandate to allot, issue and deal with any Class B Shares or securities convertible into Class B Shares of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any Shares which may be issued under the Share Schemes, and any Class B Shares that are issuable upon conversion of the Class A Shares on a one to one basis); and
- the total number of Shares repurchased by our Company pursuant to the authority referred to in “—General mandate to repurchase Shares” below.

This general mandate to issue Class B Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

General mandate to repurchase Shares

Subject to the Global Offering becoming unconditional, our Directors were granted a general mandate to repurchase our own Class B Shares up to 10% of the total number of Shares in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any Shares which may be issued under the Share Schemes, and any Class B Shares that are issuable upon conversion of the Class A Shares on a one to one basis).

This mandate only relates to repurchases on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and in accordance with all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange.

SHARE CAPITAL

This general mandate to repurchase Class B Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

See “Statutory and general information—Further information about our Group—Explanatory statement on repurchase of our own securities” in Appendix V for further details of this general mandate to repurchase Shares.

Share schemes

We have adopted the 2019 ESOP and on March 16, 2021 adopted the 2021 ESOP. See “Statutory and general information—Share schemes” in Appendix V for further details.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 and Liming's audited consolidated financial information from January 1, 2017 to November 30, 2017 (date of the acquisition) included in the Accountants' Report set out in Appendix I to this document, together with the respective accompanying notes. Our audited consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including "Risk Factors" and "Business".

Overview

We are a leading independent AI-powered technology platform in China serving the financial services industry. According to Frost & Sullivan, we are the largest independent financial big data analytics solutions provider in China by revenue in 2019 (after taking into account revenue from precision marketing services). Our cloud-native platform provides products and services that are embedded into the business processes of FSPs, from customer acquisition, loan origination, insurance underwriting, existing portfolio management, to non-performing loan management. Our data analytics products and our cloud-native solutions enable our FSP clients to increase efficiency of marketing spending and make more intelligent credit decisions. Our strong technology and leading service capabilities support an increasing number of leading FSPs, many of which are national and regional banks, leading consumer finance companies, large insurers and reputable fintech platforms. As of September 30, 2020, we had served more than 4,200 FSP clients in China, including substantially all of China's national banks, more than 650 regional banks, substantially all of China's consumer finance companies, over 90 major insurance companies and a variety of other FSPs. In 2019, 75.5% of our total revenue, or RMB952.7 million, came from FSP clients that are licensed financial institutions, of which (i) 50.0% of our total revenue, or RMB630.8 million, came from banks, insurance companies and consumer finance companies, which represent the major players in China's financial services market and (ii) 25.5% of our total revenue, or RMB321.8 million, came from other licensed FSP clients, such as auto finance companies, internet micro-lending companies and finance leasing companies. The FSP clients that are not licensed financial institutions, which accounted for approximately 24.5% of our total revenue in 2019, primarily include companies (including some technology companies) that provide loan or credit card issuing facilitation and intermediary services to licensed financial institutions. These companies help licensed financial institutions acquire customers suitable for the specific financial products co-developed or co-marketed by these companies and the licensed financial institutions they work with. Accordingly, these companies typically would require us to provide them with (i) fraud detection and prevention products and services to identify or filter potential fraud of their target customer groups; (ii) risk assessment products and services to help assess risk profiles of their target customer groups and (iii) precision marketing services to enable them to more effectively reach and serve the target customers of the financial products co-developed or co-marketed by these companies and the licensed financial institutions they work with. For the nine

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months ended September 30, 2020, approximately 90% of our total revenue, or RMB686.1 million, came from FSP clients that are licensed financial institutions.

Our competitive advantages centre around our proprietary and comprehensive repertoire of data labels, AI-powered big data analytics capabilities, and agile product development capability. We have established, through proprietary accumulation as well as collaboration with third-party partners, a large and comprehensive database covering a wide range of consumer data labels using both financial and non-financial metrics. In the early phase of our business, we relied on certain data partners providing us with various data labels necessary to develop early algorithm-driven models and risk-scoring products to meet our clients' risk management needs. As we expand our product offerings, increase technology investments, and gain market share, we have gradually developed an ecosystem of data analytics enabling us to accumulate rich data labels and enhance our industry expertise through collaboration with various external data partners and interactions with FSP clients.

Our investments in technology have resulted in a cloud-native technology platform to support the development and delivery of products and services to clients. Our big data analytics engines help FSP clients to improve their decision making, marketing and distribution. Our data-technology platform offers a number of individual product modules which can be easily deployed and integrated with our clients' IT infrastructure and workflows via standardised application programming interfaces (APIs). We can also package various modules into customised end-to-end solutions for our clients. Cloud-native nature of our platform enables us to quickly adapt and deliver products and services to satisfy FSPs' ever-evolving needs, which, in turn, ensure the richness and diversity of our data labels. This ecosystem enables us to continuously expand our database, improve our data processing, data analytics, and help our clients enhance decision-making.

In addition, our technology infrastructure empowers us to organise and handle high volumes of data requests from FSPs, while lowering operating costs. For instance, we are capable of processing hundreds of millions of data analytics requests from FSPs per hour. We processed approximately 2.48 billion requests from FSPs in 2019 and approximately 3.14 billion requests for the nine months ended September 30, 2020.

Our revenue increased significantly from 2017 to 2019 primarily due to the increase in the number of our Key FSP clients and their ARPC, while the decline in our revenue in the nine months ended September 30, 2020 was primarily due to the impact of COVID-19 on our business and the financial services industry in general. The loss recorded during the Track Record Period was primarily attributable to the increase in the fair value of our redeemable convertible preferred shares as a result of the increase in our equity value. The following table sets forth our revenue and loss during the Track Record Period:

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2017	2018	2019	2019	2020
	(Unaudited)				
	(RMB in millions)				
Total revenue	354.0	858.5	1,261.9	922.3	764.2
YoY (%)	—	142.5%	47.0%	—	(17.1%)
Loss from the year/period	(353.5)	(181.9)	(94.1)	(57.7)	(115.9)
YoY (%)	—	(48.5%)	(48.3%)	—	101.0%

Excluding the impact of fair value changes of redeemable convertible preferred shares and a few other items not expected to result in future recurring cash payments, we had (i) a non-IFRS loss of RMB83.2 million in 2017 and RMB1.6 million in 2018 and a non-IFRS profit of RMB13.1 million in 2019; and (ii) a non-IFRS profit of RMB10.9 million for the nine months ended September 30, 2019 and

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RMB20.4 million for the nine months ended September 30, 2020. See “Financial Information—Non-IFRS Measure” for more details on this non-IFRS measure.

Our Revenue Model

We generate our revenue primarily through the data analytics services, precision marketing services and insurance distribution services.

- Our data analytics services generate fees based on the number of requests our FSP clients transmit to us for analysis and the types of services to which they subscribe. In addition to the usage-based subscriptions, we also provide some of our FSP clients with an annual subscription package with an upper limit on the number or an unlimited number of requests they may use during the subscription period.
- Our precision marketing services generate revenue on a cost-per-application or cost-per-sale basis for the credit products that are provided by FSP clients on our platform.
- Our insurance distribution services generate revenue commissions and service fees as a percentage of the total insurance premium underwritten through our platform.

Our products and services are integrated with the process workflows across the entire service cycle of our FSP clients, establishing a strong recurring element to our revenue model and increasingly stronger relationship between our FSP clients and us at the core. Furthermore, this business model helps us achieve significant operating leverage and strong cash flows.

Our Go-to-Market Model

We adopt a “Land and Expand” model to acquire FSP clients and grow our relationships with existing clients over time. Our client conversion often begins with a number of basic services free on frontend but indispensable to the decision making process of FSPs, services such as anti-fraud and blacklist screening. As new FSP clients realise the benefits derived from our platform, they deploy more services and engage us for more advanced or customised solutions. We allow our FSP clients to employ a “pay-per-use” model for most of our data analytics services, which promotes our clients’ broader adoption of our services and enables us to capture the upside of clients’ usage of our platform. Over time, our platform becomes a fundamental ingredient of our FSP clients’ service process across the full lifecycle. We complement this “land and expand” model with a sales and business development team that has deep industry expertise and are dedicated to establishing long-term relationships with FSPs, understanding and anticipating their needs and identifying upselling and cross-selling opportunities. This approach allows us to cost-effectively drive the conversion of paying FSP clients and expand our service scope with clients. In 2019, 82 of our paying FSP clients used services in at least two out of our three major service lines. Revenue from those paying FSP clients was RMB564.6 million, accounting for 45% of our total revenue in 2019.

Since our founding, we have been successful in attracting new FSP clients and increasing our engagement with existing clients, highlighted by the following key metrics:

- *Number of paying FSP clients.* As of December 31, 2017, 2018, 2019 and September 30, 2020, among more than 4,200 FSP clients we served, we cumulatively had 511, 1,301, 2,031 and 2,438 paying FSP clients that had a paid subscription of our products and services, respectively. “Paid subscription” by an FSP client in the context of our business means (i) a subscription based on usage, without an initial or recurring fee or (ii) an annual subscription that offers a standardised package with a pre-determined or unlimited number of requests such FSP client may use during the term of the related service agreement.

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- *Average revenue of paying FSP clients.* We had served 493, 1,202, 1,494 paying FSP clients in 2017, 2018 and 2019, respectively, which generated an average revenue of approximately RMB0.72 million, RMB0.71 million and RMB0.84 million in 2017, 2018 and 2019, respectively.
- *Number of Key FSP clients.* We define “Key FSP” clients as licenced financial institutions that each contributes more than RMB300,000 total revenue in a given calendar year. 62, 135 and 196 of our paying FSP clients were Key FSP clients in 2017, 2018 and 2019, respectively.
- *Revenue contribution by Key FSP clients.* Our Key FSP clients generated 55%, 64% and 73% of our total revenue in 2017, 2018 and 2019, respectively, and achieved an average revenue per client (ARPC) of approximately RMB3.2 million, RMB4.1 million and RMB4.7 million in 2017, 2018 and 2019, respectively. ARPC is defined as the total revenue generated by our Key FSP clients in a given year divided by the number of Key FSP clients in that year.
- *Key FSP client retention rate and net dollar expansion rate.* We had a Key FSP client retention rate of 89% in 2019. The Key FSP client retention rate is the percentage of the Key FSP clients we have in a given year that we continue to retain during the next twelve months. Also, we achieved a net dollar expansion rate of 125% in 2019 for our Key FSP clients in 2018. Net dollar expansion rate is an indicator for long term value of our business relationship with our Key FSP clients and our ability to retain and grow revenue from Key FSP clients. We calculate net dollar expansion rate as a fraction, the denominator of which is the revenue contribution from Key FSP clients in one given year and the numerator of which is the contribution from the same group of Key FSP clients in the following year, expressed as a percentage.

In addition, the tables below set forth the revenue, cost of sales, gross profit and gross profit margin of each of our major service lines during the Track Record Period.

	2017	2018	2019	Nine months ended September 30, 2020
<i>Data analytics services</i>				
Revenue (RMB'000)	314,524	406,343	522,654	356,239
Cost of sales (RMB'000)	101,755	92,791	82,123	70,506
Gross profit (RMB'000)	212,769	313,552	440,531	285,733
Gross profit margin	67.6%	77.2%	84.3%	80.2%
<i>Precision marketing services</i>				
Revenue (RMB'000)	17,890	271,113	404,786	169,678
Cost of sales (RMB'000)	4,735	38,304	26,837	18,411
Gross profit (RMB'000)	13,155	232,809	377,949	151,267
Gross profit margin	73.5%	85.9%	93.4%	89.1%
<i>Insurance distribution services</i>				
Revenue (RMB'000)	6,095	164,002	332,236	237,466
Cost of sales (RMB'000)	3,320	99,039	180,767	115,527
Gross profit (RMB'000)	2,775	64,963	151,469	121,939
Gross profit margin	45.5%	39.6%	45.6%	51.4%

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Our Acquisition of Liming

On November 23, 2017, we acquired 70% equity interest of Liming Brokerage Co., Ltd. (“Liming”). The purpose of this acquisition was to supplement our data and algorithm matching model for insurance products and consumers and enhance our precision marketing services. We currently own 63% equity interest of Liming.

Liming’s results of operations have been consolidated into ours since November 30, 2017. Our statement of profit and loss for the year ended December 31, 2017 consolidates the results of Liming since then, and our statement of profit and loss for the years ended December 31, 2018 and 2019 and for the nine months ended September 30, 2020 have consolidated the full financial results of Liming. Liming generated revenues of RMB63.5 million from January 1, 2017 to November 30, 2017 (date of the acquisition). During this period, Liming incurred a net operating loss of RMB15.5 million, and net cash used in its operating and investing activities were RMB12.9 million and RMB1.4 million respectively.

The consolidated financial statements and the accompanying notes of Liming from January 1, 2017 to November 30, 2017 are set forth in Accountants’ Report included in Appendix I to this document. For details regarding the acquisition of Liming, see “History, Reorganisation, and Corporate Structure—Reorganisation”.

Basis of Presentation

We were incorporated in June 2018 in the Cayman Islands under the laws of the Cayman Islands. Immediately prior to the incorporation of our Company, our business was mainly managed through Beijing Bairong, a subsidiary incorporated in the PRC, and its respective subsidiaries. After the incorporation of our Company, we undertook a series of reorganisation transactions, under which (i) the equity structure of our Company substantially mirrors Beijing Bairong’s previous equity structure, and (ii) we have become the holding company of the business after a series of reorganisation transactions, including obtaining control over and becoming the primary beneficiary of Beijing Bairong by entering into a series of contractual arrangements with Beijing Bairong and its shareholders. We refer to such reorganisation transactions collectively as the Reorganisation in this document. For details, see “History, Reorganisation, and Corporate Structure—Reorganisation”. The Reorganisation was consummated in June 2019. We had not been involved in any other business prior to the Reorganisation. The Reorganisation was merely a recapitalisation of our business with no change in the management of such business. Accordingly, the business we are operating is regarded as a continuation of the business previously operated through Beijing Bairong, and the historical financial information of our Company has been prepared and presented using the carrying value for all periods presented as if the current group structure had been in existence and remained unchanged throughout the Track Record Period.

The historical financial information of our Company has been prepared in accordance with IFRSs, which consist of all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). All IFRSs effective for the accounting period commencing from January 1, 2020, together with the relevant transitional provisions, have been consistently applied by our Company in the preparation of the consolidated financial information throughout the Track Record Period. 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.

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The preparation of the historical financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in note 3 to the Accountants' Report included in Appendix I to this document.

Adoption of IFRS 9, IFRS 15 and IFRS 16

For our historical financial information prepared and presented for the Track Record Period, we have consistently adopted IFRSs, amendments to IFRSs and the related interpretations issued by the IASB, including IFRS 15 Revenue from Contracts with Customers, IFRS 16 Leases and IFRS 9 Financial Instruments.

Our Directors consider that the application of IFRS 9 and IFRS 15 did not have a material impact on our consolidated financial position and performance during the Track Record Period as compared to the requirements of IAS 39 and IAS 18.

In addition, our Directors consider that the adoption of IFRS 16 had no significant impact on our financial position and performance as compared with the requirements of IAS 17, except for the increases in total assets and total liabilities of RMB26.5 million and RMB29.0 million as of December 31, 2017, RMB29.0 million and RMB30.7 million as of December 31, 2018, RMB162.1 million and RMB165.0 million as of December 31, 2019 and RMB128.6 million and RMB132.4 million as of September 30, 2020, respectively, as a result of further recognition of right-of-use assets and relevant lease liabilities under IFRS 16.

Our gearing ratios during the Track Record Period are as follows:

	As of December 31,			As of
	2017	2018	2019	September 30, 2020
Gearing ratio	3.17	2.02	1.94	2.03

Had we adopted IAS 17 for the Track Record Period, our gearing ratios would have been the following as shown in the table below:

	As of December 31,			As of
	2017	2018	2019	September 30, 2020
Gearing ratio	3.30	2.05	2.07	2.15

In addition to the above, the adoption of IFRS 16 had no significant impact on our key financial ratios, such as current ratio and quick ratio as of December 31, 2017, 2018 and 2019 and September 30, 2020.

Factors Affecting Our Results of Operations

The following factors are the principal factors that have affected and will continue to affect our business, financial condition, results of operations and prospects.

Economic growth and regulatory environment in China

The growth of China's credit market in recent years has been supported by rising consumer demand and increased willingness to assume credit. As the economy undergoes structural change, the focus of

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the credit market has begun to shift from corporate to personal credit and from large enterprises to SMEs. In an environment of relative economic stability and rising average household income, Chinese consumers have been more willing to seek credit. At the same time, FSPs have been seeking to access those segments of the population that were previously underserved by the credit market, particularly the younger generation. The insurance market has also seen significant growth due to increasing awareness of insurance's value. The growth of our business will depend in part on the continuation of these trends. We expect the regulatory frameworks governing the credit and insurance markets and data privacy to continue to evolve in the future. It may be difficult or costly for us to comply with any newly added regulatory requirements imposed on us. If the PRC government adopts more stringent regulations on FSPs, the growth of the credit and insurance markets may slow down, which, in turn, may limit our growth.

Ability to convert more FSP clients and deepen our relationship with FSP clients

As part of business development effort, we offer a number of basic services to some FSPs free of charge to encourage integration of their workflow with our cloud-native platforms. We also offer free trial periods for FSPs who need time to assess effectiveness of our data analytics products. As of December 31, 2017, 2018, 2019 and September 30, 2020, we cumulatively had 511, 1,301, 2,031 and 2,438 paying FSP clients that had a paid subscription of our products and services, respectively. We define Key FSP clients as licenced financial institutions that each contributes more than RMB300,000 total revenue in a given year. 62, 135 and 196 of our paying FSP clients were Key FSP clients in 2017, 2018 and 2019, respectively. Our Key FSP clients generated 55%, 64% and 73% of our total revenue in 2017, 2018 and 2019, respectively, and achieved an average revenue per client (ARPC) of approximately RMB3.2 million, RMB4.1 million and RMB4.7 million in 2017, 2018 and 2019, respectively. We are focused on continuing to convert the non-paying FSP client to paying FSP clients.

Our future growth is also highly dependent on our ability to maintain and deepen relationships with our existing paying FSP clients. Such relationship allows us to continue to expand our products and services to better serve the needs of our FSP clients. We quantify our expansion across existing paying FSP clients through our net dollar expansion rate. We had a Key FSP client retention rate of 89% in 2019. Also, we achieved a net dollar expansion rate of 125% in 2019 for our Key FSP clients in 2018. To deepen our relationship with existing clients, we will continue to enhance our data insights and develop proprietary technology to improve our products and services and provide more innovative products and services.

Ability to expand our database and enhance our big data analytics capabilities

We view our data assets and data analytics capabilities as our most valuable assets. Our ability to expand our data assets and improve our existing data products and services and develop new ones depends on the size and depth of our data assets, as well as the technologies we use to process the data and convert the data into meaningful information from which we derive insights for our clients. It is thus crucial for us to continue to enrich our data assets and enhance our big data analytics capabilities to extract more insights from the data. We plan to continue to collaborate with our third-party data partners to supplement our datasets, and offer best-in-class big data analytics products and services to attract more FSP clients. We will continue to leverage the large amount of data insights derived from serving our FSP clients to enhance our data analytics capabilities and enrich our products and service for our FSP clients.

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Ability to continue to invest in technology

We have invested, and will continue to invest, in resources to enhance the technology and capabilities of our products and services. Our ability to expand our data assets and improve our existing data products and services and develop new ones depends on the volume and depth of our data assets, as well as the technologies we use to process the data and convert the data into meaningful information from which we derive insights on which our clients can act. It is thus crucial for us to continually invest in technology to enrich our data assets and enhance our big data analytics capabilities to extract more insights from the data. We plan to continue to collaborate with our third-party business partners to supplement our datasets, and offer best-in-class big data analytics products and services to attract more FSP clients. Moreover, we plan to continue to invest in talent recruitment and training in the fields of AI, big data and cloud computing to strengthen our technological advantage. Continuous improvement of our research and development capabilities will enable us to optimise our existing data products and services and broaden our product offerings, thereby providing more comprehensive products and services and attracting more FSP clients, further strengthening our leadership position.

Ability to improve operating leverage of our products and services

We have an attractive and scalable business model that has high revenue visibility and significant operating leverage, enabling us to generate recurring and stable cash flows. For example, leveraging our data analytics technology platform, we enable highly efficient precision marketing and insurance distribution and expect both services to grow rapidly and become a significant portion of our total revenue in the future. We have invested heavily in developing capabilities in data analytics technology in order to provide comprehensive products and services. While we expect our expenses to increase as our business expands, we also expect them to decrease as a proportion of our revenue as we leverage our products and services and achieve more economies of scale. See “—Our Go-to-Market Model” for the key metrics we use to evaluate performance, identify trends affecting such products and services and make business plans and strategic decisions.

Our ability to manage our costs and improve operational efficiency

Our profitability depends in part on our ability to manage and optimise our operating expenses. Our ability to engage our FSP clients and expand our client base, while at the same time improving our operational efficiency, is important for our overall results of operations. Our research and development expenses accounted for 39.2%, 20.6%, 17.2%, and 19.8% of our revenue in 2017, 2018, 2019, and the nine months ended September 30, 2020, respectively. Our general and administrative expenses accounted for 27.2%, 20.2%, 17.5%, and 18.1% of our revenue in 2017, 2018, 2019, and the nine months ended September 30, 2020, respectively. Our sales and marketing expenses accounted for 23.5%, 38.0%, 44.9%, and 40.8% of our revenue in 2017, 2018, 2019, and the nine months ended September 30, 2020, respectively. As we expand the scale and scope of our business and product and service offerings, we expect to benefit from various economies of scale to improve our operational efficiency.

Impact of COVID-19 on operations

All of our revenue is generated in China. Our results of operations and financial condition in 2020 will be affected by the spread of COVID-19. The extent to which COVID-19 impacts our results of operations in 2020 will depend on the future developments of the outbreak, including new information concerning the global severity of and actions taken to contain the outbreak, which are highly uncertain and unpredictable. In addition, our results of operations could be adversely affected to the extent that the outbreak harms the Chinese economy in general.

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The global spread of COVID-19 and actions taken in response to the virus have negatively affected workforces, customers, consumer confidence, financial markets, consumer spending and credit markets, caused significant economic and business disruption, volatility and financial uncertainty, and led to a significant economic downturn, including in the markets where we operate. Mainly due to the impact of COVID-19, our revenue decreased by 17.1% from RMB922.3 million for the nine months ended September 30, 2019 to RMB764.2 million for the nine months ended September 30, 2020, primarily because revenue from precision marketing services decreased by 45.1% from RMB309.2 million to RMB169.7 million as our FSP clients experienced a decline in business demand due to COVID-19. Our net loss increased from RMB57.7 million for the nine months ended September 30, 2019 to RMB115.9 million for the nine months ended September 30, 2020. According to Frost & Sullivan, the number of newly issued domestic credit cards saw a year-on-year decrease of 60% for the six months ended June 30, 2020. Because banks are one of our main clients and the personal credit market is primarily based on credit cards, our pre-lending risk management business, the core income of our data analytics services section, was materially and negatively affected.

For the year ended December 31, 2020, our market share is estimated to be approximately 9.0%, which is 0.3% higher compared with our market share in 2019. The overall credit market is expected to rebound as China's economy continued to gain momentum after the pandemic is largely under control in China. For the six months ended December 31, 2020, the number of newly issued credit cards is expected to reach 22.4 million, representing a 124% increase compared to the six months ended June 30, 2020. As consumption demands gradually recover, the number of newly issued credit cards is expected to increase by over 150% compared to the number in 2020 and experience more than a 30% increase compared to the number in 2019. On the other hand, FSPs are paying more attention to early warning of risks and the activity of existing users, which requires heightened post-lending monitoring. For the nine months ended September 30, 2020, our overall processing volume for post-lending monitoring requests has increased significantly to 823 million, compared with 450 million for the year ended December 31, 2019.

We have taken a series of measures in response to the outbreak, including, among others, remote working arrangements for some of our employees, suspension of our offline customer acquisition activities and cancellation of non-essential business travels to ensure the safety and health of our employees. These measures could reduce the capacity and efficiency of our operations and negatively impact the procurement of products, which in turn could negatively affect our results of operations.

As of September 30, 2020, we had RMB750.3 million of cash and cash equivalents and the current portion of financial assets at fair value through profit or loss, consisting of low-risk wealth management products and trust plans issued by financial institutions in the PRC. We believe this level of liquidity is sufficient to successfully navigate an extended period of uncertainty. See also "Risk Factors—Risks Related to Our Business and Industry—We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations".

Critical Accounting Policies and Significant Judgements and Estimates

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgements related to accounting items. The estimates and assumptions we use and the judgements we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continuously evaluates such estimates, assumptions and judgements based on past experience and other factors, including industry practises and expectations of future events which are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results, and we have

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not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes to these estimates and assumptions in the foreseeable future.

Set forth below are accounting policies which we believe are of critical importance to us or involve the most significant estimates, assumptions and judgements used in the preparation of our financial statements. Our significant accounting policies, estimates, assumptions and judgements, which are important for understanding our financial condition and results of operations, are set forth in further detail in Notes 2 and 3 to the Accountants' Report in Appendix I.

Significant Accounting Policies

Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which our Company is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to our Company, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. We take advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of our revenue and other income recognition policies are as follows:

Data analytics services

Information services

Our revenue for data analytics services are derived from the provision of information services to our customers on a transactional basis, in which distinct services are delivered over time as the customer simultaneously receives and consumes the benefits of the services delivered. To measure our performance over time, the output method is utilised to measure the value to the customer based on the transfer to date of the services promised, with no rights of return once consumed. In these cases, revenue on transactional contracts with a defined price but an undefined quantity is recognised utilising the right to invoice expedient resulting in revenue being recognised when the service is provided and billed. Additionally, contracts with a defined price but an undefined quantity that utilise tier pricing would be defined as a series of distinct performance obligations satisfied over time utilising the same method of measurement, the output method, with no rights of return once consumed. This measurement method is applied on a monthly basis resulting in revenue being recognised when the service is provided and billed.

A small portion of our revenue is generated from subscription-based contracts under which a customer pays a preset fee for a predetermined or unlimited number of transactions or services provided during the subscription period, generally one year. Revenue from subscription-based contracts having a preset number of transactions is recognised as the services are provided, using an effective transaction rate as the actual transactions are delivered. Any remaining revenue related to unfulfilled units is not recognised until the end of the related contracts' subscription period.

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Localised solutions and projects

Localised solutions and projects provide customised enhancement or upgrades to our customers' risk management and underwriting systems. Revenue from these services is satisfied over time as we provide services on customers' sites which creates an asset that the customers control as we perform. We currently measure the stage of completion using output method by reference to the completion status reports acknowledged by the customers. Under the output method, we recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict our performance in transferring control of goods or services.

Precision marketing services

We provide recommendation services in respect of loan products offered by FSPs on our platform, and assist the FSPs or their loan sales representatives to identify qualified individual users or borrowers. We consider the FSPs, including banks, micro-loan companies, consumer finance companies and other financial service providers to be our customers, and receive service fees from the customers primarily based on the number of successful referrals. The price for each recommendation charged to the FSPs is a fixed price or a percentage of loans approved as pre-agreed in the service contract, or pre-set in the bidding systems by the customers. Therefore, while loan size impacts our fees when the price for the recommendation charged to the FSPs is a percentage of the amount of loans approved by our customers, the loan duration does not impact our fees. Revenue is recognised when all of the revenue recognition criteria are met, which is generally when the identified borrowers submit a loan application to the customers.

Insurance distribution services

The primary source of revenues is commissions from insurance distribution services, determined based on a percentage of premiums paid by the policy holder. The brokerage fee rate is based on the terms specified in the service contract with the insurance company for each product sold through us. We determined that the insurance company, or the insurer, is our customer in this agreement. Insurance distribution services revenue is recognised when the signed insurance policy is in place and we have a present right to payment from the insurer since we have fulfilled our performance obligation to sell an insurance policy on behalf of the insurance company.

Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Dividends

Dividends income from equity investments is recognised when the investor's right to receive payment is established.

Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions

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attaching to them. Grants that compensate us for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are deducted from the carrying amount of the assets and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Goodwill

Goodwill represents the excess of (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of our previously held equity interest in the acquiree; over (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date. When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment. On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Intangible assets

Intangible assets that are acquired by us are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses. Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated useful life is as follows:

Software	5 to 10 years
Insurance brokerage licence	Indefinite useful life

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

Contract assets and contract liabilities

A contract asset is recognised when we recognise revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with our accounting policy and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays non-refundable consideration before we recognise the related revenue. A contract liability would also be recognised if we have an unconditional right to receive non-refundable consideration before we recognise the related revenue. In such cases, a corresponding receivable would also be recognised.

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For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

Redeemable convertible preferred shares

We issued certain series of instruments to investors. The instrument holders have the right to require us to redeem all of the instruments held by the instrument holders at guaranteed predetermined fixed amount at certain redemption events, which are out of the control of us. Upon the completion of the Listing, all the redeemable convertible preferred shares will be automatically converted into our fully paid and non-assessable ordinary shares.

Pursuant to IFRS 9, the instrument issued to investors are accounted for in their entirety as financial liabilities through profit and loss, with fair value changes reflected in change in fair value of redeemable convertible preferred shares within the consolidated statement of comprehensive income/(loss), except for the portion attributable to credit risk change that should be charged to other comprehensive income. Accordingly, the embedded conversion features do not require future evaluation, bifurcation, and separate accounting as embedded derivatives as the change in fair value of embedded features are reflected in the change in fair value in the compound instrument under such whole instrument approach. Issue costs that are directly attributable to the issue of the instruments, designated as financial liabilities at fair value through profit or loss, are recognised immediately in the consolidated statement of comprehensive income. The instrument are classified as non-current liabilities unless we have an obligation to settle the liability within 12 months after the end of the reporting period.

Employee benefits

Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Share-based payment

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial option-pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of our shares. The equity amount is recognised in the

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capital reserve until either the option is exercised (when it is included in the amount recognised in share capital and share premium for the shares issued) or the option expires (when it is released directly to retained profits).

Termination benefits

Termination benefits are recognised as an expense when we are demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if we have made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the end of the relevant periods, then they are discounted to their present value.

Accounting Judgement and Estimates

In the process of applying our accounting policies, management has made the following accounting judgements:

Fair value of share-based compensation payments

We have granted share options to our employees. We have used a binomial option-pricing model to determine the total fair value of the options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by us in applying the binomial option-pricing model.

Fair value of financial instruments with preferred rights

The fair value of financial instruments with preferred rights at the dates of issue and balance sheet dates were determined based on the valuation performed by an independent valuer, using valuation techniques. We use our judgements to select a variety of methods and make assumptions that are mainly based on market conditions existing at the respective valuation dates. We have used discounted cash flow to determine the business value of us, followed by option pricing models to determine the fair value of financial instruments with preferred rights, which involved the use of significant accounting estimates and judgements.

Level 3 of fair value measurement of financial instrument at fair value through profit or loss

The financial instruments at fair value through profit or loss categorised within level 3 of fair value measurement were redeemable convertible preferred shares and financial assets at fair value through profit or loss.

In respect of the valuation of level 3 financial assets at fair value through profit or loss and redeemable convertible preferred shares, with reference to the guidance under the “Guidance Note on Directors’ Duties in the Context of Valuations in Corporate Transactions” issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors adopted the following procedures: (i) selected qualified persons with adequate knowledge and conducted valuation on the financial instruments without readily determinable fair value; (ii) carefully considered available information in assessing the financial forecast and assumptions including but not limited to discount

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rates, the historical financial performance, market prospects, comparable companies' conditions, economic, political and industry conditions; (iii) engaged independent valuer to appraise the fair value of certain financial instruments that are significant, provided necessary financial and non-financial information to the valuer for the valuer to assess our performed valuation procedures and discussed with the valuer on relevant assumptions; and (iv) reviewed the valuation reports prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed on level 3 financial instruments is fair and reasonable and our financial statements are properly prepared.

The details on the fair value measurement of the financial assets at fair value through profit or loss and redeemable and convertible preferred shares, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of the unobservable inputs to the fair values, are disclosed in Note 31 in Appendix I. The reporting accountants, KPMG, have carried out their work in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on our historical financial information for the Track Record Period as a whole. The Reporting Accountant's opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on page I-2 of Appendix I.

The Joint Sponsors have taken due diligence steps including but not limited to (i) reviewing relevant notes in the Accountants' Report as contained in Appendix I to the Prospectus; (ii) conducting financial due diligence with the Company to understand their bases of the relevant valuation; (iii) conducting an interview with the external valuer in relation to the methodology, information sources, key assumptions and the procedure and work conducted by the external valuer and (iv) assessing the independence, credentials and qualifications of the external valuer. Nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the valuation analysis and results performed by the Directors.

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Impairment of trade receivables

We estimate the amount of loss allowance for ECLs on trade and other receivables that are measured at amortised cost on the credit risk of the respective financial instruments. The loss allowance amount is measured as the assets carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

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Impairment of goodwill

We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Description of Major Components of Our Consolidated Statement of Profit or Loss

The following table sets forth a summary of our consolidated statement of profit or loss for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this document. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2017	2018	2019	2019	2020
	(Unaudited)				
	(RMB in thousands)				
Revenue:					
Data analytics services	314,524	406,343	522,654	389,074	356,239
Precision marketing services	17,890	271,113	404,786	309,185	169,678
Insurance distribution services	6,095	164,002	332,236	222,235	237,466
Other services	15,496	17,033	2,266	1,844	850
Total revenue	354,005	858,491	1,261,942	922,338	764,233
Cost of sales	(110,341)	(232,834)	(290,150)	(206,073)	(204,444)
Gross profit	243,664	625,657	971,792	716,265	559,789
Other income	8,814	12,911	27,390	20,501	26,119
Research and development expenses	(138,992)	(176,172)	(216,414)	(153,855)	(150,871)
General and administrative expenses	(96,158)	(173,373)	(221,794)	(169,281)	(138,511)
Sales and marketing expenses	(83,103)	(325,439)	(567,821)	(415,457)	(311,223)
Impairment loss	(25,122)	(3,440)	(4,420)	(3,863)	(555)
Loss from operations	(90,897)	(39,856)	(11,267)	(5,690)	(15,252)
Net finance costs	(1,178)	(2,459)	(10,170)	(7,411)	(9,498)
Changes in fair value of financial assets measured at fair value through profit or loss	(668)	3,457	(8,600)	(9,835)	702
Changes in fair value of convertible loan	—	304	8,403	8,403	—
Changes in fair value of redeemable convertible preferred shares	(255,374)	(146,323)	(76,173)	(44,866)	(93,776)
Loss before taxation	(348,117)	(184,877)	(97,807)	(59,399)	(117,824)
Income tax (expense)/benefit	(5,360)	2,944	3,667	1,742	1,941
Loss for the year/period	(353,477)	(181,933)	(94,140)	(57,657)	(115,883)
Attributable to:					
Equity shareholders of the Company	(344,710)	(179,105)	(93,165)	(54,636)	(116,148)
Non-controlling interests	(8,767)	(2,828)	(975)	(3,021)	265
Total comprehensive income for the year/period	(353,477)	(181,933)	(94,140)	(57,657)	(115,883)
Non-IFRS Measures:⁽¹⁾					
Non-IFRS (loss)/profit for the year/period (Unaudited)	(83,190)	(1,617)	13,071	10,860	20,427
Non-IFRS EBITDA (Unaudited)	(56,591)	36,859	87,380	64,121	83,197

(1) See “—Non-IFRS Measure”.

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Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use non-IFRS (loss)/profit and non-IFRS EBITDA as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items which our management considers non-indicative of our operating performance.

We believe these measures provide useful information to investors and others in understanding and evaluating our consolidated statement of profit or loss in the same manner as they help our management. However, our presentation of non-IFRS (loss)/profit and non-IFRS EBITDA may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitutes for an analysis of, our consolidated statement of profit or loss or financial condition as reported under IFRSs.

We define non-IFRS (loss)/profit as loss for the year/period, excluding share-based compensation, fair value changes of redeemable convertible preferred shares, fair value changes of convertible loan and listing expenses. We define non-IFRS EBITDA as EBITDA excluding share-based compensation, fair value changes of redeemable convertible preferred shares, fair value changes of convertible loan and listing expenses. We exclude these items because they are not expected to result in future cash payments that are recurring in nature and they are not indicative of our core operating results and business outlook.

The following table reconciles our non-IFRS (loss)/profit for the year/period and non-IFRS EBITDA presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the year/period:

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2017	2018	2019	2019	2020
				(Unaudited)	
	(RMB in thousands)				
Reconciliation of loss to non-IFRS loss for the year/period:					
Loss for the year/period	(353,477)	(181,933)	(94,140)	(57,657)	(115,883)
<i>Add</i>					
Share-based compensation ⁽¹⁾	14,913	34,297	39,441	32,054	30,104
Changes in fair value of redeemable convertible preferred shares ⁽²⁾	255,374	146,323	76,173	44,866	93,776
Changes in fair value of convertible loan ⁽³⁾	—	(304)	(8,403)	(8,403)	—
Listing expenses ⁽⁴⁾	—	—	—	—	12,430
Non-IFRS (loss)/profit for the year/period (Unaudited)	<u>(83,190)</u>	<u>(1,617)</u>	<u>13,071</u>	<u>10,860</u>	<u>20,427</u>

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	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2017	2018	2019	2019	2020
	(unaudited)				
	(RMB in thousands)				
Reconciliation of loss to EBITDA and non-IFRS					
EBITDA for the year/period:					
Loss for the year/period	(353,477)	(181,933)	(94,140)	(57,657)	(115,883)
<i>Add</i>					
Net finance costs	1,178	2,459	10,170	7,411	9,498
Income tax expense/(benefit)	5,360	(2,944)	(3,667)	(1,742)	(1,941)
Depreciation	20,010	38,806	67,370	47,351	54,381
Amortization	51	155	436	241	832
EBITDA (Unaudited)	(326,878)	(143,457)	(19,831)	(4,396)	(53,113)
<i>Add</i>					
Share-based compensation ⁽¹⁾	14,913	34,297	39,441	32,054	30,104
Changes in fair value of redeemable convertible preferred shares ⁽²⁾	255,374	146,323	76,173	44,866	93,776
Changes in fair value of convertible loan ⁽³⁾	—	(304)	(8,403)	(8,403)	—
Listing expenses ⁽⁴⁾	—	—	—	—	12,430
Non-IFRS EBITDA (Unaudited)	(56,591)	36,859	87,380	64,121	83,197

Notes:

- (1) Share-based compensation relates to the share options that we granted under our share incentive plan, which is a non-cash expense that is commonly excluded from similar non-IFRS measures adopted by other companies in our industry.
- (2) Fair value changes of redeemable convertible preferred shares represent the losses arising from change in fair value of our issued redeemable convertible preferred shares, which were recognised as financial liability at fair value through profit or loss. Such changes will no longer exist after the automatic conversion of our redeemable convertible preferred shares to equity upon the Listing and are non-cash in nature and are not directly related to our operating activities.
- (3) Fair value changes of convertible loan represents the gain arising from change in fair value of our issued convertible loan, which was recognised as financial liability at fair value through profit or loss. Such changes no longer existed upon the automatic conversion of our convertible loan to redeemable convertible preferred shares in June 2019 and were non-cash in nature and were not directly related to our operating activities.
- (4) Listing expenses relates to this Global Offering of the Company, which is one-off in nature and is not directly related to our operating activities.

During the Track Record Period, our total revenue increased by 142.5% from RMB354.0 million for the year ended December 31, 2017 to RMB858.5 million for the year ended December 31, 2018 and further increased by 47.0% to RMB1,261.9 million for the year ended December 31, 2019. Our revenue growth was primarily driven by (i) the growth in the number of our paying FSP clients which increased from 493 in 2017 to 1,202 in 2018 and further to 1,494 in 2019, of which our Key FSP clients increased from 62 in 2017 to 135 in 2018 and further to 196 in 2019, and (ii) the continuous increase in the average revenue per client (ARPC) contributed by our Key FSP clients, which increased from RMB3.2 million in 2017 to RMB4.1 million in 2018 and further to RMB4.7 million in 2019. Our total revenue decreased by 17.1% from RMB922.3 million for the nine months ended September 30, 2019 to RMB764.2 million for the nine months ended September 30, 2020, primarily due to (i) the negative impact of the COVID-19 outbreak and (ii) the changing government regulations on retail credit facilitation companies that caused some of our FSP clients to adjust their business strategy on personal loans.

Our operating loss was RMB90.9 million, RMB39.9 million, RMB11.3 million, RMB5.7 million and RMB15.3 million for the year ended December 31, 2017, 2018, 2019 and for the nine months ended September 30, 2019 and 2020, respectively. The operating loss was primarily due to our revenue being offset by the significant amounts of research and development expenses, general and administrative expenses and sales and marketing expenses. With the development of the business and the

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improvement of operating efficiency, our operating loss had continuously decreased from 2017 to 2019. For the nine months ended September 30, 2020, our operating loss increased to RMB15.3 million as compared to RMB5.7 million for the nine months ended September 30, 2019, because our revenue decreased by 17.1% from RMB922.3 million for the nine months ended September 30, 2019 to RMB764.2 million for the nine months ended September 30, 2020 while our cost of sales and research and development expenses remained relatively stable as a result of our continuous efforts to expand our database and improve our technology capabilities.

Our net loss was RMB353.5 million, RMB181.9 million, RMB94.1 million, RMB57.7 million and RMB115.9 million for the year ended December 31, 2017, 2018, 2019 and for the nine months ended September 30, 2019 and 2020, respectively. As a result, we recorded accumulated losses throughout the Track Record Period. In addition to the foregoing factors that led to the operating losses, our net losses and accumulated losses were primarily attributable to the significant amounts of losses from fair value changes of redeemable convertible preferred shares.

During the Track Record Period, we had outstanding redeemable convertible preferred shares which were designated as financial liabilities at fair value through profits or losses. Their fair value is determined based on the valuation performed by an independent valuer using valuation techniques. We use our judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the respective valuation dates. We recorded a loss on the changes in fair value of the redeemable convertible preferred shares throughout the Track Record Period, thus adversely affecting our financial performance. Our redeemable convertible preferred shares would be reclassified from liabilities to equity as a result of the automatic conversion into our Shares upon the Listing, which will significantly improve our net liabilities position and net current liabilities position.

The continuous decrease in the amount of changes in fair value of redeemable convertible preferred shares for the year ended December 31, 2017, 2018 and 2019 was primarily attributable to our valuation increasing at a lower growth rate since 2017, and it was the net effect of the changes in our equity value allocated to the different series of preferred shareholders. The continuous decrease in the losses from fair value changes of our redeemable convertible preferred shares does not indicate a decrease in the our valuation.

Revenues

The following table sets forth the components of our revenue, both in absolute amount and as a percentage of our revenue, for the periods presented:

	For the Year Ended December 31,						For the Nine Months Ended September 30,			
	2017		2018		2019		2019		2020	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
	(Unaudited)									
Revenues:										
Data analytics services	314,524	88.8	406,343	47.3	522,654	41.4	389,074	42.2	356,239	46.6
Precision marketing services	17,890	5.1	271,113	31.6	404,786	32.1	309,185	33.5	169,678	22.2
Insurance distribution services	6,095	1.7	164,002	19.1	332,236	26.3	222,235	24.1	237,466	31.1
Other services	15,496	4.4	17,033	2.0	2,266	0.2	1,844	0.2	850	0.1
Total revenue	354,005	100.0	858,491	100.0	1,261,942	100.0	922,338	100.0	764,233	100.0

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Data analytics services. Our data analytics services generate revenue primarily from providing FSPs with data analytics services supporting their needs for decision-making and risk control, which tend to be recurring in nature. We charge our FSP clients based on the number of requests they transmit to us for analysis and/or the types of services to which they subscribe. In addition, we charge the FSPs who use our localised products and services an implementation fee, and if they also subscribe to our products, we charge them fees based on the risk assessment products they choose. We also provide some of our FSP clients with an annual subscription package that sets an upper limit on the number of services and modules they may use during the subscription period. As part of our marketing efforts to promote our brand awareness and attract more FSP clients, we offer some of our FSP clients a number of basic services, such as anti-fraud, free of charge. See “Business—Our Products and Services—Data Analytics Services” for a more detailed description of our data analytics services. Before 2018, we provided direct marketing services to our FSP clients by recommending their financial products to potential individual consumers through feeds advertisements, social media and other channels. We do not plan to further expand or develop the direct marketing services.

Precision marketing services. We provide precision marketing services primarily through Banyan, our proprietary financial product recommendation platform, which enables our FSP clients to reach and serve their target customers more effectively. We help our FSP clients to target potential customers more effectively based on the pre-determined criteria or our insights into their preference or products. We generate revenue from our precision marketing services by charging our FSP clients on a cost-per-application or cost-per-sale basis. Under the cost-per-application pricing model, when a registered user initiates an application for a recommended financial product on Banyan, we charge the corresponding FSP providing such financial product a fee in connection with the application. Under the cost-per-sale pricing model, when an application for a financial product is completed and approved by the FSP, we charge such FSP a fee upon the approval. We do not charge our registered users any fees, nor do we extend credit or assume any credit risk for any financial products recommended on Banyan. See “Business—Our Products and Services—Marketing and Distribution Services—Precision Marketing Services” for a more detailed description of our precision marketing services through Banyan.

Insurance distribution services. We provide insurance distribution services through Liming. We charge insurance companies commissions and service fees calculated as a percentage of the total insurance premium for the related insurance products, primarily life insurance products, underwritten through our integrated insurance distribution arm. We typically receive commissions over the lifetime of a life insurance policy of 16 years on average, and, as a result, our brokerage business revenue is recurring in nature. We do not take any insurance underwriting risk in the operation of our insurance distribution services. See “Business—Our Products and Services—Marketing and Distribution Services—Insurance Distribution Services” for a more detailed description of our insurance distribution services.

Other services. Other revenues arise from the trial-based micro-lending transactions we facilitated or entered into with the borrowers referred by third-party lending intermediaries or through a third-party lending platform. For the years ended December 31, 2017, 2018, 2019 and the nine months ended September 30, 2020, we generated interest income, services fees and transaction fees from these trial-based micro-lending transactions. Most of the micro-loans involved in these transactions were settled or disposed of in 2018 and we plan only to maintain the scale of this business at an insignificant level as compared with our other service lines by keeping the balance of the micro-loans on our balance sheet below two times of the balance of the micro-loans as of September 30, 2020. Accordingly, these transactions only accounted for an insignificant portion of our total revenue during each period of the Track Record Period. In particular, in 2019 and for the nine months ended September 30, 2020, these transactions only accounted for 0.2% and 0.1% of our total revenue, respectively.

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The micro-lending business does not represent a separate major line of our business. In addition, although we do not plan for further expansion, we have no intention to cease or abandon the business, and there has been no commitment to a potential sale of Guangzhou Shurong. So far, we have been maintaining this business at a relatively small scale that would not materially affect our financial performance. Therefore, the micro-lending business should not be reported as a discontinued operation in accordance with IFRS 5.

Our PRC Legal Adviser confirms that we had obtained all the related permits and licenses under the applicable PRC laws and regulations to engage in these trial-based micro-lending transactions during the Track Record Period. Our micro-lending permit is held by Guangzhou Shurong. We were in compliance with the applicable PRC laws and regulations during the Track Record Period in all material respects.

We have not used and do not plan to use the data obtained from our FSP clients of our data analytics services, precision marketing services or insurance distribution services to provide micro-lending to their customers.

Cost of sales

The cost of sales consists primarily of (i) data service costs, (ii) marketing and distribution costs mainly associated with existing customers on Banyan, (iii) insurance brokerage commission and (iv) staff costs and others, such as salaries and benefits of employees, travel expenses, offices expenses, bandwidth cost and depreciation of servers, each incurred directly related to revenue generation.

The following table sets forth the components of our cost of sales, both in absolute amount and as a percentage of our revenue, for the periods presented:

	For the Year Ended December 31,						For the Nine Months Ended September 30,				
	2017		2018		2019		2019		2020		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	
	(in thousands, except for percentages)										
	(Unaudited)										
Cost of sales:											
Data service costs	69,636	19.7	81,717	9.5	73,446	5.8	53,928	5.8	62,264	8.1	
Marketing and distribution costs	30,205	8.5	38,304	4.5	26,837	2.1	18,301	2.0	18,411	2.4	
Insurance brokerage commission costs	3,320	0.9	99,039	11.5	180,767	14.3	127,568	13.8	115,527	15.1	
Staff costs and others	7,180	2.0	13,774	1.6	9,100	0.7	6,276	0.7	8,242	1.1	
Total cost of sales	110,341	31.1	232,834	27.1	290,150	22.9	206,073	22.3	204,444	26.7	

Research and development expenses

Research and development expenses consist primarily of salaries, bonuses, benefits and share-based compensation expenses for our employees engaged in research, development and improvement of our products and services.

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The following table sets forth the breakdown of our research and development expenses, both in absolute amount and as a percentage of our revenue, for the periods presented:

	For the Year Ended December 31,						For the Nine Months Ended September 30,			
	2017		2018		2019		2019		2020	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)						(Unaudited)			
Research and development expenses:										
Staff costs	79,102	22.3	125,035	14.6	165,125	13.1	122,257	13.3	121,116	15.8
Technical service expenditure	46,051	13.0	21,052	2.5	18,462	1.5	9,259	1.0	8,108	1.1
Share-based compensation expenses	2,644	0.7	10,495	1.2	13,070	1.0	8,394	0.9	6,620	0.9
Others	11,195	3.2	19,590	2.3	19,757	1.6	13,945	1.5	15,027	2.0
Total research and development expenses . . .	138,992	39.2	176,172	20.6	216,414	17.2	153,855	16.7	150,871	19.8

General and administrative expenses

Our general and administrative expenses consist primarily of (i) payroll, share-based compensation and related expenses for employees involved in general corporate functions, including finance, legal and human resources; and (ii) costs associated with use by these functions of facilities, equipment and other professional services, such as depreciation, amortisation and other general corporate-related expenses.

The following table sets forth the breakdown of our general and administrative expenses, both in absolute amount and as a percentage of our revenue, for the periods presented:

	For the Year Ended December 31,						For the Nine Months Ended September 30,			
	2017		2018		2019		2019		2020	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)						(Unaudited)			
General and administrative expenses:										
Staff costs	23,725	6.7	60,068	7.0	65,533	5.2	52,871	5.7	46,229	6.0
Depreciation and amortisation	17,288	4.9	32,501	3.8	62,270	4.9	43,892	4.8	44,586	5.8
Office expenses	18,701	5.3	18,705	2.2	20,176	1.6	12,717	1.4	6,499	0.9
Share-based compensations	9,487	2.7	24,086	2.8	18,269	1.4	17,939	1.9	15,384	2.0
Others	26,957	7.6	38,013	4.4	55,546	4.4	41,862	4.5	25,813	3.4
Total general and administrative expenses	96,158	27.2	173,373	20.2	221,794	17.5	169,281	18.3	138,511	18.1

Sales and marketing expenses

Our sales and marketing expenses consist primarily of (i) advertising costs and information technology service costs for the acquisition of user traffic and FSPs to our products and services; and

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(ii) depreciation, payroll and other related expenses for employees engaged in sales, business development and marketing activities.

The following table sets forth the breakdown of our sales and marketing expenses, both in absolute amount and as a percentage of our revenue, for the periods presented:

	For the Year Ended December 31,						For the Nine Months Ended September 30,				
	2017		2018		2019		2019		2020		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	
	(in thousands, except for percentages) (Unaudited)										
Sales and marketing expenses:											
Staff costs	29,935	8.5	53,730	6.3	92,241	7.3	67,216	7.3	75,488	9.9	
Advertising and information technology services expenses	25,680	7.3	214,697	25.0	357,262	28.3	268,527	29.1	135,725	17.8	
Offices expenses	8,596	2.4	20,207	2.4	26,849	2.1	16,005	1.7	9,954	1.3	
Others	18,892	5.3	36,805	4.3	91,469	7.2	63,709	6.9	90,056	11.8	
Total sales and marketing expenses	83,103	23.5	325,439	38.0	567,821	44.9	415,457	45.0	311,223	40.8	

Other Income

The following table sets forth the breakdown of our other income for the periods presented:

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2017	2018	2019	2019	2020
	(in RMB thousands) (unaudited)				
Other income:					
Investment income from wealth management products	5,707	5,449	18,529	16,008	9,871
Investment income from trust plans	2,540	5,877	66	—	7,648
Government grants and others	567	1,585	4,860	2,119	5,708
Extra deduction of input VAT	—	—	3,935	2,374	2,892
Total other income	8,814	12,911	27,390	20,501	26,119

Our other income primarily includes investment income, government grants and extra deduction of input value added tax (VAT).

Our investment income consists of investment income from wealth management products and trust management plans for our cash management. The wealth management products purchased by us primarily invest in debt securities issued by the PRC government, corporate debt securities, central bank bills and other securities issued by other financial institutions. The trust management plans primarily invest in micro-loans to individuals and corporate loans.

Government grants consist of incentive and other subsidies for our research and development activities. There are no unfulfilled conditions related to these government grants.

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Extra deduction of input VAT refers to the deduction policy that from April 1, 2019 to December 31, 2021, a taxpayer engaged in production or livelihood services is allowed to have a 10% weighted deduction of creditable input VAT in the current period from the tax amount payable.

Impairment loss

The following table sets forth the breakdown of our impairment losses for the periods presented:

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2017	2018	2019	2019	2020
	(in RMB thousands)				
	(unaudited)				
Impairment losses:					
Trade receivables	584	3,079	4,061	3,515	321
Loans receivable	18,124	61	359	348	234
Investment in associates	6,414	300	—	—	—
Total impairment losses	<u>25,122</u>	<u>3,440</u>	<u>4,420</u>	<u>3,863</u>	<u>555</u>

Our impairment loss consists primarily of the impairment loss we record for our loans receivable, trade receivable and equity method investee.

Net finance costs

Our net finance costs consist of interest expense on bank loans and lease liabilities, offset by interest income from bank deposits.

Changes in fair value of financial assets measured at fair value through profit or loss (FVTPL)

Changes in fair value of financial assets measured at fair value through profit or loss are changes in unlisted equity securities, wealth management products and trust plans. The unlisted equity securities were shares in investees principally engaged in non-performing loan management service. One of the investees had ceased operation in 2019 and the fair value was nil as of December 31, 2019. The Company disposed of the investment in 2020. No dividends were received on these investments during the Track Record Period.

The wealth management products were issued by commercial banks in the PRC, and the trust plans were operated by licenced trust management companies in the PRC. They are mandatorily classified as FVTPL as their contractual cash flows are not solely payments of principal and interest.

Changes in fair value of convertible loan

Changes in fair value of convertible loan are changes in the fair value of the convertible loan which Beijing Bairong entered into with an investor on August 29, 2018. For details of this convertible loan, see “—Discussion of Certain Items in the Consolidated Statement of Financial Position—Current Assets/Liabilities—Convertible Loan”.

Changes in fair value of redeemable convertible preferred shares

Changes in fair value of redeemable convertible preferred shares are changes in the fair value of our redeemable convertible preferred shares. During the Track Record Period, we issued certain series of

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instruments to investors, who have the right to require us to redeem all of the instruments guaranteed predetermined fixed amount at certain redemption events. Upon the completion of the Listing, all the redeemable convertible preferred shares will be automatically converted into our ordinary shares. For details of our redeemable convertible preferred shares, see note 27 to the Accountants' Report in Appendix I to this document.

Income tax (expense)/benefit

In 2017, 2018, 2019 and the nine months ended September 30, 2020, our income tax expense/benefit was a tax expense of RMB5.4 million, a tax benefit of RMB2.9 million, a tax benefit of RMB3.7 million and a tax benefit of RMB1.9 million, respectively. As of the Latest Practicable Date, we did not have any disputes with any tax authority. We are subject to various rates of income tax under different jurisdictions. The following summarises major factors affecting our applicable tax rates in the Cayman Islands, Hong Kong and China.

Taxation

Cayman Islands

We were incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act. The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution, brought within the jurisdiction of the Cayman Islands.

Hong Kong

Our Hong Kong subsidiary is located in Hong Kong and is subject to an income tax rate of 8.25% for the first HK\$2.0 million of assessable profit and 16.5% for profit exceeding HK\$2.0 million. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020.

China

Generally, our PRC subsidiaries, our consolidated affiliated entities and their subsidiaries are subject to enterprise income tax on their taxable income in China at a rate of 25%. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards. Beijing Bairong has obtained the status of High and New Technology Enterprises, or HNTE, to enjoy a preferential enterprise income tax rate of 15% for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020.

Our variable interest entity and its subsidiaries are subject to value-added taxes, or VAT, at a rate of 6% on the services we provide to FSPs, less any deductible VAT we have already paid or borne. They are also subject to surcharges on VAT payments in accordance with PRC law.

Under the Enterprise Income Tax Law and its implementing rules, subject to any applicable tax treaty or similar arrangement between the PRC and the jurisdiction where the shareholders of our PRC subsidiaries reside that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to the shareholders that are

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non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Under the PRC Individual Income Tax Law and its implementing rules, dividends from sources within China paid to foreign individual shareholders who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20%, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. Although substantially all of our business operations are based in China, it is unclear whether dividends we pay with respect to our ordinary shares would be treated as income derived from sources within China and as a result be subject to PRC income tax if we were considered a PRC resident enterprise, as described below. See “Risk Factors—Risks Relating to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavourable tax consequences to us and our non-PRC shareholders”. If our Company or any of its subsidiaries outside of the PRC were deemed to be a “resident enterprise” under the Enterprise Income Tax Law, such entity would be subject to enterprise income tax on its global income at a rate of 25%. See “Risk Factors—Risks Relating to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavourable tax consequences to us and our non-PRC shareholders”.

Comparison of Nine Months Ended September 30, 2020 and 2019

Revenue

Our total revenue decreased by 17.1% from RMB922.3 million for the nine months ended September 30, 2019 to RMB764.2 million for the nine months ended September 30, 2020, primarily because of the impact of COVID-19. For details, see “—Impact of COVID-19 on Operations”.

Data analytics services

Revenue from our data analytics services decreased by 8.4% from RMB389.1 million for the nine months ended September 30, 2019 to RMB356.2 million for the nine months ended September 30, 2020, primarily because the subscription based revenue of data analytics services was adversely affected by decline of credit markets in the first nine months of 2020 due to the impact of COVID-19. We expect the COVID-19 outbreak will help to expand AI-powered technology utilisation in FSPs’ online business process in the long term, but the COVID-19 outbreak had caused delays in the FSP clients’ subscriptions for our data analytics services. Normally the subscription based revenue from an FSP client is much more than the project-based revenue. The project-based revenue increased by 35.1% from RMB18.8 million for the nine months ended September 30, 2019 to RMB25.4 million for the nine months ended September 30, 2020 due to the increased needs from FSP client on localised solutions and joint modelling.

Precision marketing services

Revenue from our precision marketing services decreased by 45.1% from RMB309.2 million for the nine months ended September 30, 2019 to RMB169.7 million for the nine months ended September 30, 2020, primarily due to (i) the negative impact of the COVID-19 outbreak on the demand for precision marketing services, evident from a 40% year-on-year decrease of the marketing expenditure of non-bank financial institutions, according to Frost & Sullivan and (ii) the changing government regulations on retail credit facilitation companies that caused some of our FSP clients to adjust their business strategy on personal loans. The regulatory development on retail credit facilitation activities includes the Circular on Strengthening the Development of the Credit Investigation System for the P2P Online Lending Sector (關於加強P2P網貸領域徵信體系建設的通知) issued in September 2019 and the Guiding

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Opinions on the Pilot Program of Transforming P2P Lending Information Intermediaries into Micro-lending Companies (關於網絡借貸信息中介機構轉型為小額貸款公司試點的指導意見) issued in November 2019. See “Regulations—Regulations on Internet Financial Services” for a detailed description of these regulations. These evolving laws, regulations and standards are subject to varying interpretations and continuing uncertainty, and we have been closely evaluating and monitoring developments with respect to these rules and regulations. In response to the regulatory development, we have removed all peer-to-peer loan products from our Banyan platform. See “Summary—Recent Developments and No Material Adverse Change” and “Business—Our Products and Services” for detailed business strategies and measures we adopted in response to the regulatory development.

Insurance distribution services

Revenue from our insurance distribution services increased by 6.9% from RMB222.2 million for the nine months ended September 30, 2019 to RMB237.5 million for the nine months ended September 30, 2020, primarily due to the enhanced business cooperation with insurance companies on multiple types of insurance products, including insurance products which are more popular in a lower interest rate economic environment and health insurance products covering specific pandemic disease risks, as well as benefit from recurring commission revenue from life insurance companies.

Other services

Revenues generated from other services decreased by 50.0% from RMB1.8 million for the nine months ended September 30, 2019 to RMB0.9 million for the nine months ended September 30, 2020. Revenue generated from other services primarily include the interest income, services fees and transaction fees we received on the trial-based micro-lending transactions we facilitated or entered into. We consider these micro-lending transactions as trial-based and do not plan to further develop or expand this business.

Cost of sales

The cost of sales decreased by 0.8% from RMB206.1 million for the nine months ended September 30, 2019 to RMB204.4 million for the nine months ended September 30, 2020, primarily attributable to a RMB12.0 million decrease in insurance brokerage commission costs, partially offset by a RMB8.3 million increase in data service costs and a RMB2.0 million increase in staff costs and others. The decrease in insurance brokerage commission costs was primarily driven by the enlarged insurance premium pool and the increased distribution efficiency. The increase in data service cost was primarily due to our increased implementation cost in line with the increased project-based revenue.

Gross profit and gross margin

As a result of the foregoing, our overall gross profit decreased by 21.8% from RMB716.3 million for the nine months ended September 30, 2019 to RMB559.8 million for the nine months ended September 30, 2020, and our overall gross margin decreased from 77.7% for the nine months ended September 30, 2019 to 73.2% for the nine months ended September 30, 2020. The decrease was primarily due to decrease in revenue impacted by COVID-19 and the increase in data costs as a result of our continuous efforts to build and maintain our database.

Research and development expenses

Our research and development expenses slightly decreased by 1.9% from RMB153.9 million for the nine months ended September 30, 2019 to RMB150.9 million for the nine months ended September 30,

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2020, primarily attributable to a decrease of RMB2.9 million in staff costs and share-based compensation and a decrease of RMB1.2 million in technical service expenditure. The decrease in technical service expenditure was mainly due to a decrease of expenditure related to precision marketing services as compared that in the initial years of Banyan's development.

General and administrative expenses

Our general and administrative expenses decreased by 18.2% from RMB169.3 million for the nine months ended September 30, 2019 to RMB138.5 million for the nine months ended September 30, 2020, primarily attributable to a decrease of RMB16.0 million in professional services fee and other corporate-related expenses and a decrease of RMB6.2 million in office expenses, resulting from our efforts to reasonably control expenditures in response to the uncertainty of the COVID-19 impact, and a decrease of RMB9.2 million in staff costs due to the temporary reduction of social insurance and housing fund by the PRC government in response to the COVID-19 outbreak in 2020.

Sales and marketing expenses

Our sales and marketing expenses decreased by 25.1% from RMB415.5 million for the nine months ended September 30, 2019 to RMB311.2 million for the nine months ended September 30, 2020, primarily due to a decrease of RMB132.8 million in advertising and information technology services expenses as a result of the decreased demand from precision marketing services, partially offset by an increase of RMB22.0 million in selling expenditure of Liming in line with its business growth.

Other Income

Our other income increased by 27.3% from RMB20.5 million for the nine months ended September 30, 2019 to RMB26.1 million for the nine months ended September 30, 2020, primarily attributable to an increase of RMB1.5 million in investment income from wealth management products and trust plans and an increase of RMB3.6 million in government grants that started in late 2019 to support local high-tech enterprises.

Impairment loss

Our impairment loss decreased by 84.6% from RMB3.9 million for the nine months ended September 30, 2019 to RMB0.6 million for the nine months ended September 30, 2020, primarily attributable to the decrease in impairment loss from trade receivables as a result of our enhanced management of trade receivables.

Net finance costs

Our net finance costs increased by 28.4% from RMB7.4 million for the nine months ended September 30, 2019 to RMB9.5 million for the nine months ended September 30, 2020, primarily due to the increase in interest expense on lease liabilities from RMB7.5 million for the nine months ended September 30, 2019 to RMB8.9 million for the nine months ended September 30, 2020.

Changes in fair value of financial assets measured at fair value through profit or loss

We recorded a loss on changes in fair value of financial assets measured at fair value through profit or loss of RMB9.8 million for the nine months ended September 30, 2019 and a gain of RMB0.7 million for the nine months ended September 30, 2020, respectively. The decrease in the loss was primarily due to the loss from fair value change of RMB6.9 million incurred on one equity investment for the nine months ended September 30, 2019.

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Changes in fair value of convertible loan

We recorded a gain on changes in fair value of convertible loan of RMB8.4 million for the nine months ended September 30, 2019, due to a decrease in the fair value of convertible loan in the nine months ended September 30, 2019. With convertible loan converted to our Shares upon the completion of the Reorganisation, we recorded nil on changes in fair value of convertible loan for the nine months ended September 30, 2020.

Changes in fair value of redeemable convertible preferred shares

We recorded a loss on changes in fair value of redeemable convertible preferred shares of RMB44.9 million for the nine months ended September 30, 2019, primarily due to increase in the fair value of redeemable convertible preferred shares in the nine months ended September 30, 2019.

We recorded a loss on changes in fair value of redeemable convertible preferred shares of RMB93.8 million for the nine months ended September 30, 2020, primarily due to increase in the fair value of redeemable convertible preferred shares in the nine months ended September 30, 2020.

Income Tax (Expense) / Benefit

We had income tax benefit of RMB1.7 million and RMB1.9 million for the nine months ended September 30, 2019 and 2020, respectively.

Comparison of Years Ended December 31, 2019 and 2018

Revenue

Our total revenue increased by 47.0% from RMB858.5 million for the year ended December 31, 2018 to RMB1,261.9 million for the year ended December 31, 2019, primarily because the number of our Key FSP clients increased from 135 to 196 and the ARPC increased from RMB4.1 million to RMB4.7 million during the same periods.

Data analytics services

Revenue from our data analytics services increased by 28.6% from RMB406.3 million for the year ended December 31, 2018 to RMB522.7 million for the year ended December 31, 2019, primarily attributable to our continuing efforts to diversify our product offerings and expand client base.

Precision marketing services

Revenue from our precision marketing services increased by 49.3% from RMB271.1 million for the year ended December 31, 2018 to RMB404.8 million for the year ended December 31, 2019, primarily due to the expansion of our marketing channels and rapid development of the personal credit market in China.

Insurance distribution services

Revenue from our insurance distribution services increased by 102.6% from RMB164.0 million for the year ended December 31, 2018 to RMB332.2 million for the year ended December 31, 2019, primarily due to more effective and efficient sales efforts and enhanced business cooperation with insurance companies.

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Other services

Revenues generated from other services decreased from RMB17.0 million for the year ended December 31, 2018 to RMB2.3 million for the year ended December 31, 2019. Revenue generated from other services primarily include the interest income, services fees and transaction fees we received on the trial-based micro-lending transactions we facilitated or entered into. We consider these micro-lending transactions as trial-based and do not plan to further develop or expand this business.

Cost of sales

The cost of sales increased by 24.7% from RMB232.8 million for the year ended December 31, 2018 to RMB290.2 million for the year ended December 31, 2019, primarily attributable to an increase in the commissions by RMB81.7 million paid to our insurance brokers in line with the significant growth in our insurance distribution business and a decrease in data service costs by RMB8.3 million, mainly as a result of more subscriptions on products with less data service costs.

Gross profit and gross margin

As a result of the foregoing, our overall gross profit increased by 55.3% from RMB625.7 million for the year ended December 31, 2018 to RMB971.8 million for the year ended December 31, 2019, and our overall gross margin increased from 72.9% for the year ended December 31, 2018 to 77.0% for the year ended December 31, 2019. The increase was primarily due to the expansion of our business and the improvement of our operating efficiency.

Research and development expenses

Our research and development expenses increased by 22.8% from RMB176.2 million for the year ended December 31, 2018 to RMB216.4 million for the year ended December 31, 2019, primarily attributable to an increase of RMB42.7 million in staff costs and share-based compensation expenses of research and development personnel. The increase was due to our increased investment in research and development, and the number of R&D related personnel increased by more than 40% from 2018 to 2019.

General and administrative expenses

Our general and administrative expenses increased by 27.9% from RMB173.4 million for the year ended December 31, 2018 to RMB221.8 million for the year ended December 31, 2019, primarily attributable to the increase in the office and depreciation and amortisation expenses by RMB 31.2 million due to the expansion of our office premises.

Sales and marketing expenses

Our sales and marketing expenses increased by 74.5% from RMB325.4 million for the year ended December 31, 2018 to RMB567.8 million for the year ended December 31, 2019, primarily due to the increase in (i) advertising costs and information technology service costs for the acquisition of user traffic and FSPs to our products and services by RMB142.6 million in line with the significant growth of precision marketing business for the same period, and (ii) the increase in selling expenditure of Liming by RMB60.6 million in line with its business growth.

Other Income

Our other income increased by 112.4% from RMB12.9 million for the year ended December 31, 2018 to RMB27.4 million for the year ended December 31, 2019, primarily attributable to the increase in

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investment income from wealth management products and trust plans due to the additional funds raised in 2018 and the improvement on working capital liquidity planning.

Impairment loss

Our impairment loss increased from RMB3.4 million for the year ended December 31, 2018 to RMB4.4 million for the year ended December 31, 2019, primarily due to the increase in allowance for trade receivables of RMB1.0 million.

Net finance costs

Our net finance costs increased significantly from RMB2.5 million for the year ended December 31, 2018 to RMB10.2 million for the year ended December 31, 2019, primarily due to the increase in interest expense on lease liabilities from RMB2.7 million for the year ended December 31, 2018 to RMB10.5 million for the year ended December 31, 2019.

Changes in fair value of financial assets measured at fair value through profit or loss

We recorded a profit on changes in fair value of financial assets measured at fair value through profit or loss of RMB3.5 million for the year ended December 31, 2018. We recorded a loss on changes in fair value of financial assets measured at fair value through profit or loss of RMB8.6 million for the year ended December 31, 2019. The difference was primarily due to the loss from fair value change of RMB6.9 million incurred on one equity investment for the year ended December 31, 2019.

Changes in fair value of convertible loan

We recorded a gain on changes in fair value of convertible loan of RMB0.3 million for the year ended December 31, 2018 and of RMB8.4 million for the year ended December 31, 2019, primarily due to the decrease in the fair value allocation to Series C+ Preferred Shares on an as-converted basis as the Re-organisation was brought close to completion.

Changes in fair value of redeemable convertible preferred shares

We recorded a loss on changes in fair value of redeemable convertible preferred shares of RMB146.3 million for the year ended December 31, 2018 and a loss of RMB76.2 million for the year ended December 31, 2019, primarily due to the increase in the fair value of redeemable convertible preferred shares.

Income Tax (Expense) / Benefit

We had income tax benefit of RMB2.9 million and income tax benefit of RMB3.7 million for the years ended December 31, 2018 and 2019, respectively.

Comparison of Years Ended December 31, 2018 and 2017

Revenue

Our total revenue increased by 142.5% from RMB354.0 million for the year ended December 31, 2017 to RMB858.5 million for the year ended December 31, 2018, primarily because the number of our Key FSP clients increased from 62 to 135 and the ARPC increased from RMB3.2 million to RMB4.1 million during the same periods.

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Data analytics services

Revenue from our data analytics services increased by 29.2% from RMB314.5 million for the year ended December 31, 2017 to RMB406.3 million for the year ended December 31, 2018, primarily attributable to our continuing efforts to expand and deepen our FSP client base.

For the year ended December 31, 2017, we recorded revenue of RMB66.9 million for the provision of direct marketing services. The direct marketing services were integrated into our precision marketing services in 2018. We do not plan to further expand or develop the direct marketing services.

Precision marketing services

Revenue from our precision marketing services increased significantly from RMB17.9 million for the year ended December 31, 2017 to RMB271.1 million for the year ended December 31, 2018, primarily due to the expansion of our marketing channels and the ongoing efforts to improve our precision marketing services.

Insurance distribution services

We launched our integrated insurance distribution business and commenced our insurance distribution services following our acquisition of the controlling stake in Liming in November 2017. Our insurance distribution services generated revenue of RMB164.0 million for the year ended December 31, 2018.

Other services

The revenues generated from other services increased slightly from RMB15.5 million for the year ended December 31, 2017 to RMB17.0 million for the year ended December 31, 2018, primarily attributable to the interest income, services fees and transaction fees we received on the trial-based micro-lending transactions we facilitated or entered into. We consider these micro-lending transactions as trial-based and do not plan to further develop or expand this business.

Cost of sales

The cost of sales increased by 111.0% from RMB110.3 million for the year ended December 31, 2017 to RMB232.8 million for the year ended December 31, 2018, primarily attributable to the increase in (i) the commissions by RMB95.7 million paid to our insurance brokers following the acquisition of Liming in December 2017, and (ii) the data service cost by RMB12.1 million.

Gross profit and gross margin

As a result of the foregoing, our overall gross profit increased by 156.8% from RMB243.7 million for the year ended December 31, 2017 to RMB625.7 million for the year ended December 31, 2018, and our overall gross margin increased from 68.8% for the year ended December 31, 2017 to 72.9% for the year ended December 31, 2018, primarily due to significant growth in our revenue.

Research and development expenses

Our research and development expenses increased by 26.8% from RMB139.0 million for the year ended December 31, 2017 to RMB176.2 million for the year ended December 31, 2018, primarily attributable to the increase by RMB53.8 million in payroll, share-based compensation and benefit expenses of research and development personnel due to the number of R&D related personnel increased by more than 30% from 2017 to 2018, partially offset by the decrease of RMB25.0 million in technology consulting expenses due to the improvement of in-house technology capabilities.

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General and administrative expenses

Our general and administrative expenses increased by 80.2% from RMB96.2 million for the year ended December 31, 2017 to RMB173.4 million for the year ended December 31, 2018, primarily attributable to the increase in (i) the payroll, share-based compensation and benefit expenses of employees involved in general corporate functions by RMB50.9 million and (ii) the office and depreciation and amortisation expenses by RMB15.2 million due to the expansion of our office premises. We were experiencing emerging growth and the overall expenses of all functions increased significantly corresponding to our business performance.

Sales and marketing expenses

Our sales and marketing expenses increased significantly by 291.6% from RMB83.1 million for the year ended December 31, 2017 to RMB325.4 million for the year ended December 31, 2018, primarily attributable to the increase in (i) the advertising costs and information technology service costs by RMB 189.0 million for the acquisition of user traffic and FSPs to our products and services; and (ii) the payroll and benefit expenses by RMB23.8 million for personnel engaged in sales, business development and marketing activities. We were experiencing emerging growth and the overall expenses of all functions increased significantly corresponding to our business performance. The increase in the advertising costs and information technology service costs was in line with the significant increase of the revenue from our precision marketing services and the substantial increase in the number of clients we served. Our paying FSP clients increased significantly from 493 in 2017 to 1,202 in 2018.

Other Income

Our other income increased by 46.6% from RMB8.8 million for the year ended December 31, 2017 to RMB12.9 million for the year ended December 31, 2018, primarily attributable to the increase in investment income from trust plans.

Impairment loss

Our impairment loss decreased from RMB25.1 million for the year ended December 31, 2017 to RMB3.4 million for the year ended December 31, 2018. For the year ended December 31, 2017, RMB18.1 million impairment loss was made for the loans facilitated through the trust established for our micro-lending transactions. On February 8, 2018, we disposed of the trust to a third party at fair value. No gain or loss was recognised upon disposal as the trust had been written down to fair value as of December 31, 2017.

Net finance costs

Our net finance costs increased by 108.3% from RMB1.2 million for the year ended December 31, 2017 to RMB2.5 million for the year ended December 31, 2018, primarily due to the increase in interest expense on lease liabilities from RMB1.8 million for the year ended December 31, 2017 to RMB2.7 million for the year ended December 31, 2018.

Changes in fair value of financial assets measured at fair value through profit or loss

We recorded a loss on changes in fair value of financial assets measured at fair value through profit or loss of RMB0.7 million for the year ended December 31, 2017. We recorded a gain on changes in fair value of financial assets measured at fair value through profit or loss of RMB3.5 million for the year ended December 31, 2018. The difference was primarily due to the fair value gain we had on wealth management products and trust plans in 2018.

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Changes in fair value of convertible loan

We recorded a minimal gain on changes in fair value of convertible loan of RMB0.3 million for the year ended December 31, 2018.

Changes in fair value of redeemable convertible preferred shares

We recorded a loss on changes in fair value of redeemable convertible preferred shares of RMB255.4 million for the year ended December 31, 2017 and a loss of RMB146.3 million for the year ended December 31, 2018, primarily due to the increase in the fair value of redeemable convertible preferred shares.

Discussion of Certain Items in the Consolidated Statement of Financial Position

Current Assets/Liabilities

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2017	2018	2019	September 30, 2020	January 31, 2021
	(in thousands of RMB)				(Unaudited)
Current assets					
Prepaid expenses and other current assets	45,458	56,325	77,634	52,208	44,032
Financial assets at fair value through profit or loss	36,120	547,354	545,695	706,279	656,183
Loans receivable	84,903	1,976	3,430	8,492	6,417
Trade receivables	78,502	152,307	195,994	159,859	227,412
Restricted cash	6,463	—	—	—	—
Cash and cash equivalents	88,440	212,354	150,917	44,010	159,455
Total current assets	339,886	970,316	973,670	970,848	1,093,499
Current liabilities					
Trade payables	8,628	9,198	39,542	45,166	49,425
Bank loans	9,550	30,000	—	—	—
Convertible loan	—	99,696	—	—	—
Contract liabilities	44,887	53,859	34,059	40,051	41,093
Lease liabilities	20,266	21,362	49,629	36,965	47,653
Accrued expenses and other current liabilities	66,056	91,207	124,075	102,063	134,541
Redeemable convertible preferred shares	—	—	2,081,145	2,174,921	—
Total current liabilities	149,387	305,322	2,328,450	2,399,166	272,712
Net current assets/(liabilities)	190,499	664,994	(1,354,780)	(1,428,318)	820,787

We had net current assets positions as of December 31, 2017 and 2018, and we had net current liabilities positions as of December 31, 2019 and September 30, 2020. Our net current assets position was primarily attributable to cash and cash equivalents, trade receivables, loans receivable, financial assets at fair value through profit or loss and prepaid expenses and other current assets, partially offset by bank loans, convertible loan, trade payables, contract liabilities, lease liabilities and accrued expenses and other current liabilities. Our net current liabilities positions as of each of these dates mainly due to the recognition of redeemable convertible preferred shares liability.

Our net current liabilities increased from RMB1,354.8 million as of December 31, 2019 to RMB1,428.3 million as of September 30, 2020, primarily due to a decrease of RMB2.8 million in our

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total current assets, mainly attributable to an increase of RMB160.6 million in our financial assets at fair value through profit or loss, a decrease of RMB106.9 million in our cash and cash equivalents, a decrease of RMB36.1 million in our trade receivables and a decrease of RMB25.4 million in our prepaid expenses and other current assets, which was partially offset by an increase of RMB5.6 million in our trade payables, an increase of RMB93.8 million in our redeemable convertible preferred shares, a decrease of RMB12.7 million in our lease liabilities and a decrease of RMB22.0 million in our accrued expenses and other current liabilities.

Our net current position decreased from net current assets of RMB665.0 million as of December 31, 2018 to net current liabilities of RMB1,354.8 million as of December 31, 2019, primarily due to an increase of RMB2,023.1 million in our total current liabilities, mainly attributable to an increase of RMB2,081.1 million in our redeemable convertible preferred shares, which was partially offset by an increase of RMB3.4 million in our total current assets, mainly attributable to a decrease of RMB61.4 million in our cash and cash equivalents, an increase of RMB21.3 million in our prepaid expenses and other current assets and an increase of RMB43.7 million in our trade receivables. Our redeemable convertible preferred shares were classified as current liabilities as of December 31, 2019 and September 30, 2020 because the shares were due to be redeemed within twelve months at the respective balance sheet dates. The shareholders have subsequently agreed to an extension of the redemption date of the shares, and the preferred rights and the redemption features of these shares would be terminated upon listing and the preferred shares would be converted into equity, leading to a significant improvement to the net current liabilities position.

Our net current assets increased from RMB190.5 million as of December 31, 2017 to RMB665.0 million as of December 31, 2018, primarily due to an increase of RMB630.4 million in our total current assets, mainly attributable to an increase of RMB511.2 million in our financial assets at fair value through profit or loss, a decrease of RMB82.9 million in our loans receivable and an increase of RMB123.9 million in our cash and cash equivalents, which was partially offset by an increase of RMB99.7 million in our convertible loan.

We had net liabilities of RMB989.8 million, RMB1.1 billion, RMB1.2 billion and RMB1.3 billion as of December 31, 2017, 2018, 2019 and as of September 30, 2020, respectively, primarily due to the redeemable convertible preferred shares of RMB1.3 billion, RMB1.9 billion, RMB2.1 billion and RMB2.2 billion as of December 31, 2017, 2018 and 2019 and as of September 30, 2020, resulting from our multiple rounds of Pre-IPO Investments and the fair value changes of the redeemable convertible preferred shares. Our redeemable convertible preferred shares would be reclassified from liabilities to equity as a result of the automatic conversion into our Shares upon the Listing. Afterwards, we do not expect to recognize any further loss or gain on fair value changes from the convertible redeemable preferred shares and may revert back to a net assets position from a net liabilities position.

We had net current liabilities of RMB1.4 billion and RMB1.4 billion as of December 31, 2019 and as of September 30, 2020, respectively, primarily due to the redeemable convertible preferred shares of RMB2.1 billion and RMB2.2 billion as of December 31, 2019 and as of September 30, 2020, resulting from the fair value changes of the redeemable convertible preferred shares. Our redeemable convertible preferred shares would be reclassified from liabilities to equity as a result of the automatic conversion into our Shares upon the Listing. Afterwards, we do not expect to recognize any further loss or gain on fair value changes from the convertible redeemable preferred shares and may revert back to a net current assets position from a net current liabilities position. We plan to improve our net current liabilities position through (i) adopting comprehensive measures to effectively control cost and operating expenses, in particular administrative expenses; and (ii) enhancing working capital management efficiency.

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Prepaid expenses and other current assets

Prepaid expenses and other current assets consist primarily of prepaid purchase price to key suppliers, deposits and others.

	As of December 31,			As of
	2017	2018	2019	September 30, 2020
	(in thousands of RMB)			
Advances to suppliers	2,595	13,094	23,128	9,940
Deposits	18,526	16,088	21,077	17,066
Prepaid expenses	7,312	14,784	17,137	11,984
Amounts due from related parties	15,112	—	—	—
Others	1,913	12,359	16,292	13,218
Total prepaid expenses and other current assets	45,458	56,325	77,634	52,208

As of January 31, 2021, RMB16.2 million, or 31.0%, of our prepaid expenses and other current assets as of September 30, 2020 had been subsequently settled.

Our prepaid expenses and other current assets decreased by 32.7% from RMB77.6 million as of December 31, 2019 to RMB52.2 million as of September 30, 2020, primarily as a result of the decrease in advances to suppliers from RMB23.1 million as of December 31, 2019 to RMB9.9 million as of September 30, 2020 mainly due to the decrease in our distribution and marketing expenditures, and the decrease in prepaid expenses from RMB17.1 million as of December 31, 2019 to RMB12.0 million as of September 30, 2020 mainly due to the decrease of petty cash.

Our prepaid expenses and other current assets increased by 37.8% from RMB56.3 million as of December 31, 2018 to RMB77.6 million as of December 31, 2019, primarily as a result of the increase in advances to suppliers from RMB13.1 million as of December 31, 2018 to RMB23.1 million as of December 31, 2019 mainly due to the increase in our distribution and marketing expenditures and the increase in deposits from RMB16.1 million as of December 31, 2018 to RMB21.1 million as of December 31, 2019 mainly due to deposits paid for the new leased office.

Our prepaid expenses and other current assets increased by 23.7% from RMB45.5 million as of December 31, 2017 to RMB56.3 million as of December 31, 2018, primarily as a result of the increase in advances to suppliers from RMB2.6 million as of December 31, 2017 to RMB13.1 million as of December 31, 2018 mainly due to the increase in our distribution and marketing expenditures, and the interest-free loan of RMB14.5 million was repaid from Xinbai on December 31, 2018. See note 34 to the Accountants' Report in Appendix I for further details.

Financial assets at fair value through profit or loss

Our current financial assets at fair value through profit or loss consists of the following:

	As of December 31,			As of
	2017	2018	2019	September 30, 2020
	(in thousands of RMB)			
Wealth management products	3,120	497,354	545,695	168,132
Trust plans	33,000	50,000	—	538,147
Total financial assets at fair value through profit or loss	36,120	547,354	545,695	706,279

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Our current financial assets at fair value through profit or loss represent the financial products in which we invested. These investments include certain low-risk wealth management products and trust plans issued by financial institutions in the PRC. We determine the fair value of trust plans and wealth management products by using discounted cash flow models. The unobservable inputs include expected annual return rate specified in the investment contracts. Our current financial assets at fair value through profit or loss were RMB36.1 million, RMB547.4 million, RMB545.7 million and RMB706.3 million as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively. The total investment income realised from our current financial assets at fair value through profit or loss were RMB8.2 million, RMB11.3 million, RMB18.6 million and RMB17.5 million during the Track Record Period. Our investment in financial products was mainly due to our treasury management objective to improve returns on our available capital.

To monitor and control the investment risks associated with our wealth management product portfolio, we have adopted a comprehensive set of internal policies and guidelines to manage our investment in wealth management products and trust plans. Our finance department is responsible for proposing, analysing and evaluating potential investment in wealth management products and trust plans based on recommendations of our relationship and account managers at reputable banks in China. Our finance department is led by and the entire investment process is supervised by Mr. Zhao Hongqiang, our executive Director and chief financial officer, who has been supervising our investment activities during the Track Record Period and was highly involved in our historical investments. See “Directors and senior management” for a detailed description of Mr. Zhao’s qualifications and credentials. In addition, the staff in our finance department treasury team on average has approximately 10 years of experience in corporate finance in China. Prior to making any material investments in wealth management products or modifying our existing investment portfolio, the proposal shall be approved by Mr. Zhao Hongqiang and the other designated members of our management. Our investment strategy related to wealth management products focuses on minimising the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns for the benefits of our shareholders. We primarily invest in wealth management products and trust plans issued by major commercial banks in China with relatively low risks and a short to mid-term. We make investment decisions related to wealth management products and trust plans on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing banks, our own working capital conditions, and the expected profit or potential loss of the investment.

The details of our investments in wealth management product and trust plans during the Track Record Period are set forth below:

	As of December 31,			As of
	2017	2018	2019	September 30,
	(RMB in thousands)			2020
Wealth management products and trust plan				
Non principal-protected	36,120	547,354	495,695	706,279
Principal-protected	—	—	50,000	—

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Products type	Level of risk ⁽¹⁾	Underlying assets	As of December 31,			As of
			2017	2018	2019	September 30,
			(RMB in thousands)			2020
Wealth management products	R2/R3	Monetary instruments, bonds, bond funds, and other fixed income products and short-term financial instruments with low risk and good liquidity	3,120	497,354	545,695	168,132
Trust plans	R2/R3	Incomes derived from sales of commercial housing projects of real estate companies	33,000	50,000	—	538,147
			36,120	547,354	545,695	706,279

Note:

(1) According to the risk classification set by the relevant financial institutions, “R2” refers to a comparatively low risk and “R3” refers to a moderate risk.

Wealth management products are issued or sold by major commercial banks with comparatively low risks. All principles and interests of the wealth management products we purchased have been recovered in time during the Track Record Period. As of the Latest Practicable Date, all outstanding balance of the wealth management products we purchased as of September 30, 2020 has been recovered or can be redeemed at any time during the working hours and expected investment income realised.

Trust plans are issued or sold by major commercial banks with strict risk control measures with maturity periods from one month to five months. All principals and interests of the trust plans we invested in have been recovered in time during the Track Record Period. As of January 31, 2021, all outstanding balance of the trust plans we invested in as of September 30, 2020 has been recovered and expected investment income realised.

After Listing, we intend to continue our investments in these products strictly in accordance with our internal policies and guidelines.

Loans receivable

Loans receivable arise from outstanding payments due from the loans facilitated through Guangzhou Shurong Internet Micro-lending Co., Ltd.

	As of December 31,			As of
	2017	2018	2019	September 30,
(in thousands of RMB)				
Loans facilitated through Guangzhou Shurong Internet Micro-lending Co., Ltd.				
— Consumer loans	31,415	2,037	24	3,833
— Car loans	42,580	—	—	—
— Corporate loans	—	—	3,512	4,976
Loans facilitated through a trust	29,032	—	—	—
Loans receivable	103,027	2,037	3,536	8,809
Less: allowance for loan losses	(18,124)	(61)	(106)	(317)
Total loans receivable, net	84,903	1,976	3,430	8,492

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Our net loans receivable increased from RMB3.4 million as of December 31, 2019 to RMB8.5 million as of September 30, 2020. As of January 31, 2021, RMB6.9 million, or 78.4%, of our loans receivable as of September 30, 2020 had been subsequently received. Our net loans receivable increased from RMB2.0 million as of December 31, 2018 to RMB3.4 million as of December 31, 2019. The increase in loans receivable arise from our trial-based micro-lending transactions to SMEs, and we do not expect to further expand or develop this service. Our net loans receivable decreased by 97.6% from RMB84.9 million as of December 31, 2017 to RMB2.0 million as of December 31, 2018. As of December 31, 2017, the balance of the allowance for loan losses was primarily made for the loans facilitated through the trust. On February 8, 2018, we disposed of the trust to a third party at fair value. No gain or loss was recognised upon disposal as the trust had been written down to fair value as of December 31, 2017.

Trade receivables

Trade receivables consist of outstanding amounts payable by third parties in the ordinary course of our business.

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	(in thousands of RMB)			
Trade receivables	79,086	155,970	203,348	167,534
Less: allowance for doubtful accounts	(584)	(3,663)	(7,354)	(7,675)
Trade receivables, net	78,502	152,307	195,994	159,859

Trade receivables are non-interest bearing and are generally on terms between 1 to 90 days. In some cases, these terms are extended for certain qualifying long-term clients who have met specific credit requirements. We do not have any off-balance-sheet credit exposure related to our clients.

Our net trade receivables decreased by 18.4% from RMB196.0 million as of December 31, 2019 to RMB159.9 million as of September 30, 2020, primarily due to the decrease in our precision marketing services. Our net trade receivables increased by 28.7% from RMB152.3 million as of December 31, 2018 to RMB196.0 million as of December 31, 2019, primarily due to the significant increases in our trade receivables from our FSP clients, which were in line with our business growth. Our net trade receivables increased by 94.0% from RMB78.5 million as of December 31, 2017 to RMB152.3 million as of December 31, 2018, primarily due to the significant increases in our trade receivables from our FSP clients, which were in line with our business growth.

	For the year ended December 31,			For the nine months ended September 30,
	2017	2018	2019	2020
Trade receivables turnover days ⁽¹⁾	50	49	50	64

Note:

(1) Trade receivables turnover days for a given period equals the average trade receivables balances as of the beginning and the end of the period divided by total revenues during the period and then multiplied by the number of days during the period.

As of January 31, 2021, RMB116.5 million, or 69.6%, of our trade receivables as of September 30, 2020 had been subsequently settled.

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The credit terms given to our FSP clients are determined on an individual basis with normal credit period of 30 to 180 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	(in thousands of RMB)			
Within 3 months (inclusive)	71,248	127,311	121,854	112,389
3 months to 6 months (inclusive)	7,036	16,909	52,397	34,031
6 months to 1 year (inclusive)	753	10,620	24,101	17,774
Over 1 year	49	1,130	4,996	3,340
Less: loss allowance	(584)	(3,663)	(7,354)	(7,675)
Trade receivables, net	<u>78,502</u>	<u>152,307</u>	<u>195,994</u>	<u>159,859</u>

Cash and cash equivalents

Our cash and cash equivalents primarily consist of cash on hand and bank deposits. Our cash and cash equivalents decreased by 70.8% from RMB150.9 million as of December 31, 2019 to RMB44.0 million as of September 30, 2020, primarily due to the increase in our investment in financial products of RMB160.6 million. Our cash and cash equivalents decreased by 29.0% from RMB212.4 million as of December 31, 2018 to RMB150.9 million as of December 31, 2019, primarily due to the payment of bank loans of RMB30.0 million and lease liabilities of RMB61.9 million from financing activities. Our cash and cash equivalents increased by 140.3% from RMB88.4 million as of December 31, 2017 to RMB212.4 million as of December 31, 2018, primarily due to the issuance of convertible loan of RMB100.0 million.

Trade payables

Our trade payables mainly represent payables for the purchase of goods and services. Our trade payables increased by 14.4% from RMB39.5 million as of December 31, 2019 to RMB45.2 million as of September 30, 2020, increased from RMB9.2 million as of December 31, 2018 to RMB39.5 million as of December 31, 2019, and increased from RMB8.6 million as of December 31, 2017 to RMB9.2 million as of December 31, 2018, respectively, primarily due to the growth of our business, which resulted in higher balance of trade payables.

Our trade payable turnover days were 25 days in 2017, 10 days in 2018, 19 days in 2019, and 54 days in the nine months ended September 30, 2020. The decrease in 2018 compared to 2017 was primarily due to increase of advertising and information technology services expenses. The increase from 2018 to 2020 was mainly due to the increase in our bargaining power with suppliers. Trade payable turnover days for a given period equals the average trade payable balances as of the beginning and the end of the period divided by the sum of data service costs and distribution and marketing expenditures recognised during the period and then multiplied by the number of days during the period. As of January 31, 2021, RMB33.5, or 74.1%, of our trade payable as of September 30, 2020 had been subsequently settled.

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The following table sets forth the ageing analysis of our trade payables as at the dates indicated:

	As of December 31,			As of
	2017	2018	2019	September 30, 2020
	(in thousands of RMB)			
Within 6 months	8,628	9,198	38,528	43,582
6 months to 1 year	—	—	1,014	13
1 to 2 years	—	—	—	1,571
Total	8,628	9,198	39,542	45,166

Bank loans

Bank loans consist of the following:

	As of December 31,			As of
	2017	2018	2019	September 30, 2020
	(in thousands of RMB)			
Bank loans	9,550	30,000	—	—

In November 2017, we borrowed a short-term loan of RMB9.6 million under the facility agreement at the interest rate of 5.655% per annum. The agreement is guaranteed by our Chief Executive Officer. The loan was fully repaid in May 2018.

In April 2018, we entered into a revolving credit facility agreement with a commercial bank in the PRC for a line of credit of RMB30.0 million for one year. The agreement is guaranteed by our Chief Executive Officer. We borrowed RMB30.0 million under the facility agreement at the interest rate of 5.655% per annum. RMB30.0 million was fully repaid in 2019.

As of January 31, 2021, we had no outstanding balance of bank loan and we did not have any unutilised banking facilities.

Convertible loan

On August 29, 2018, Beijing Bairong entered into a convertible loan agreement with an investor for a loan of RMB100.0 million. On June 27, 2019, the loan was converted to 1,837,624 Series C+ redeemable convertible preferred shares of our Company. For further information regarding the convertible loan, see note 26 to the Accountants' Report in Appendix I to this document.

Contract liabilities

Our contract liabilities represent payments received or awards to customers related to unsatisfied performance obligations at the end of a specified period. Our contract liabilities increased by 17.6% from RMB34.1 million as of December 31, 2019 to RMB40.1 million as of September 30, 2020, primarily due to the increase in the number of annual subscription FSP clients. As of January 31, 2021, RMB16.6 million, or 41.4%, of our contract liabilities as of September 30, 2020 had been subsequently recognised into revenue. Our contract liabilities decreased by 36.7% from RMB53.9 million as of December 31, 2018 to RMB34.1 million as of December 31, 2019, primarily due to recognising revenue during the year as a result of the significant increase of our FSP clients' requests. Our contract liabilities increased by 20.0% from RMB44.9 million as of December 31, 2017 to RMB53.9 million as of December 31, 2018, primarily due to the increase of our precision marketing services.

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Lease liabilities

Our lease liabilities represent the lease in relation to the leasing of properties for office work. We had lease liabilities amounted to RMB29.0 million, RMB30.7 million, RMB165.6 million and RMB136.1 million as at December 31, 2017, 2018, 2019 and September 30, 2020, respectively. The lease term for the related leases ranges from one year to five years.

The following table sets forth a breakdown of our lease liabilities by current and non-current portions and the effective interest rate as at the dates and for the periods indicated:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	(in thousands of RMB)			
Current	20,266	21,362	49,629	36,965
Non-current	8,699	9,295	116,014	99,150
Lease liabilities	28,965	30,657	165,643	136,115
	For the Year Ended December 31,			For the Nine Months Ended September 30,
	2017	2018	2019	2020
Effective interest rate	6.32%	6.43%	6.84%	6.44%

Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	(in thousands of RMB)			
Accrued payroll and welfare	33,747	63,751	70,961	65,056
Accrued expenses	15,100	14,065	38,448	24,855
Value Added Tax and surcharges payable	2,843	7,447	8,049	7,251
Deposit received	13,272	4,825	5,973	4,050
Others	1,094	1,119	644	851
Total accrued expenses and other current liabilities	66,056	91,207	124,075	102,063

Our accrued expenses and other current liabilities decreased by 17.7% from RMB124.1 million as of December 31, 2019 to RMB102.1 million as of September 30, 2020, primarily as a result of the decrease in accrued payroll and welfare from RMB71.0 million as of December 31, 2019 to RMB65.1 million as of September 30, 2020 mainly due to the 2019 bonus has been paid in the nine months ended September 30, 2020, and the decrease in accrued expenses from RMB38.4 million as of December 31, 2019 to RMB24.9 million as of September 30, 2020 mainly due to the accrued professional fees has been paid in the nine months ended September 30, 2020. As of January 31, 2021, RMB33.2 million, or 32.5%, of our accrued expenses and other current liabilities as of September 30, 2020 had been subsequently settled.

Our accrued expenses and other current liabilities increased from RMB91.2 million as of December 31, 2018 to RMB124.1 million as of December 31, 2019, primarily as a result of (i) the increase in our accrued payroll and welfare from RMB63.8 million as of December 31, 2018 to RMB71.0 million as of the same date in 2019 mainly due to the increase in the number of our employees from 718 as of December 31, 2018 to 1,027 as of December 31, 2019, and partly due to the

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increased average compensation level; and (ii) the increase in our accrued expenses from RMB14.1 million as of December 31, 2018 to RMB38.4 million as of the same date in 2019 mainly due to the increase of accrued professional fees.

Our accrued expenses and other current liabilities increased from RMB66.1 million as of December 31, 2017 to RMB91.2 million as of December 31, 2018, primarily as a result of the increase in our accrued payroll and welfare from RMB33.7 million as of December 31, 2017 to RMB63.8 million as of the same date in 2018 mainly due to the increase in the number of our employees from 634 as of December 31, 2017 to 718 as of December 31, 2018, and partly due to the increased average compensation level.

Non-Current Assets/Liabilities

The following table sets forth our non-current assets and non-current liabilities as of the dates indicated.

	As of December 31,			As of
	2017	2018	2019	September 30, 2020
	(in thousands of RMB)			
Non-current assets				
Property, plant and equipment	16,003	17,336	40,681	38,385
Intangible assets	23,708	25,628	28,971	31,838
Right-of-use assets	29,800	32,940	167,903	136,286
Goodwill	34,054	34,054	34,054	34,054
Financial assets at fair value through profit or loss	3,542	10,442	3,542	3,542
Deferred tax assets	4,398	7,345	11,217	13,057
Restricted cash	5,000	5,722	5,722	5,722
Total non-current assets	116,505	133,467	292,090	262,884
Non-current liabilities				
Redeemable convertible preferred shares	1,282,256	1,913,679	—	—
Lease liabilities	8,699	9,295	116,014	99,150
Deferred tax liabilities	5,820	5,820	6,025	5,924
Total non-current liabilities	1,296,775	1,928,794	122,039	105,074

Property, plant and equipment

Property, plant and equipment consist of the following:

	As of December 31,			As of
	2017	2018	2019	September 30, 2020
	(in thousands of RMB)			
Electronic equipment	11,197	13,643	21,764	22,869
Office and other equipment	2,172	893	2,855	2,322
Leasehold improvements	2,634	2,800	16,062	13,194
Total	16,003	17,336	40,681	38,385

Our property, plant and equipment decreased slightly from RMB40.7 million as of December 31, 2019 to RMB38.4 million as of September 30, 2020, primarily due to the depreciation of our leasehold improvements. Our property, plant and equipment increased by 135.3% from RMB17.3 million as of December 31, 2018 to RMB40.7 million as of December 31, 2019, primarily due to the increase of our

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leasehold improvements mainly for the decoration of our new office. Our property, plant and equipment increased by 8.1% from RMB16.0 million as of December 31, 2017 to RMB17.3 million as of December 31, 2018, primarily due to procurement of electronic equipment such as computers, servers and other equipment.

Intangible asset

Intangible asset mainly comprises of software and insurance brokerage licence which was acquired in the business combination of Liming and has an indefinite useful life. Our intangible asset increased slightly from RMB23.7 million as of December 31, 2017 to RMB25.6 million as of December 31, 2018, and further to RMB29.0 million as of December 31, 2019 and RMB31.8 million as of September 30, 2020, primarily due to the procurement of our internal financial system software and other system software.

Goodwill

Our goodwill remained the same at RMB34.1 million as of December 31, 2017, 2018 and 2019 and September 30, 2020. Goodwill is attributed to the workforce of the acquired business and significant synergies expected to arise after our acquisition of Liming in 2017. The goodwill is not expected to be deductible for tax purposes.

For the purpose of impairment testing, goodwill and insurance brokerage licence are fully allocated to Liming, which is considered a separate cash generating unit, which the goodwill and insurance brokerage licence are monitored for internal management purpose.

Impairment review on the goodwill and insurance brokerage licence of us has been conducted by the management as of December 31, 2017, 2018 and 2019 and September 30, 2020. For the purposes of the impairment review, the recoverable amount of goodwill and insurance brokerage licence is determined based on the value-in-use calculations using the discounted cash flow method.

On management forecasted an average annual revenue growth rate of 20% for the next five-year period, and the cash flows beyond the five-year period were extrapolated using an estimated annual growth rates of 3%. Pre-tax discount rate of 19.5% was used to reflect market assessment of time value and the specific risks relating to Liming.

Based on the result of the goodwill and insurance brokerage licence impairment testing, the combined estimated recoverable amount was approximately RMB73.1 million, RMB83.8 million, RMB103.1 million and RMB106.6 million as of December 31, 2017, 2018 and 2019 and September 30, 2020, exceeding carrying amount by RMB8.0 million, RMB16.3 million, RMB40.2 million and RMB41.8 million, respectively. As the recoverable amount was significantly above the carrying amount, no impairment was identified in respect of the goodwill and insurance brokerage licence as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively.

We have performed a sensitivity analysis on key assumptions used in management's annual impairment test of goodwill. Had the discount rate during the forecast period been 1% higher, the remaining headroom would have decreased to RMB2.1 million, RMB10.2 million, RMB33.6 million and RMB35.5 million as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively. Had the estimated profit during the forecast period been decreased by 5%, the remaining headroom would have decreased to RMB3.6 million, RMB12.1 million, RMB35.2 million, and RMB35.2 million as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively. Reasonably possible changes in key assumptions would not lead to impairment as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively.

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Financial assets at fair value through profit or loss

Our non-current financial assets at fair value through profit or loss consist of the following:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	(in thousands of RMB)			
Unlisted equity securities	3,542	10,442	3,542	3,542
Total	<u>3,542</u>	<u>10,442</u>	<u>3,542</u>	<u>3,542</u>

Our non-current financial assets at fair value through profit or loss represent investments of unlisted equity securities. The unlisted equity securities as of December 31, 2017, 2018 and 2019 and September 30, 2020 are shares in private companies incorporated in the PRC principally engaged in non-performing loan management service. One of the investees had ceased operation in 2019 and the fair value was nil as of December 31, 2019. The Company disposed of the investment in 2020 and no gain or loss was recognised.

Redeemable convertible preferred shares

Our redeemable convertible preferred shares increased from RMB1.3 billion as of December 31, 2017 to RMB1.9 billion as of December 31, 2018, and further to RMB2.1 billion as of December 31, 2019 and RMB2.2 billion as of September 30, 2020. The increase in 2018 compared to 2017 was due to the redeemable convertible Series C Preferred Shares issued in February 2018 for an aggregate consideration of RMB0.5 billion.

Key Financial Ratios

The following table sets forth our key financial ratios for the periods indicated:

	For the Year Ended December 31,			For the Nine Months Ended September 30,
	2017	2018	2019	2020
Total revenue growth	NA	142.5%	47.0%	(17.1%)
Data analytics services	NA	29.2%	28.6%	(8.4%)
Precision marketing services	NA	1,415.4%	49.3%	(45.1%)
Insurance distribution services	NA	2,590.8%	102.6%	6.9%
Gross margin ⁽¹⁾	68.8%	72.9%	77.0%	73.2%
Net margin ⁽²⁾	(99.9%)	(21.2%)	(7.5%)	(15.2%)
Non-IFRS net margin ⁽³⁾	(23.5%)	(0.2%)	1.0%	2.7%
Non-IFRS EBITDA margin ⁽⁴⁾	(16.0%)	4.3%	6.9%	10.9%
Gearing ratio ⁽⁵⁾	3.17	2.02	1.94	2.03

Notes:

- (1) Gross margin equals gross profit divided by revenues for the period and multiplied by 100%.
- (2) Net margin equals (loss)/profit divided by revenues for the period and multiplied by 100%.
- (3) Non-IFRS net margin equals non-IFRS (loss)/profit divided by revenues for the period and multiplied by 100%.
- (4) Non-IFRS EBITDA margin equals non-IFRS EBITDA divided by revenues for the period and multiplied by 100%.
- (5) Gearing ratio equals total liabilities divided by total assets as of the end of the period.

Liquidity and Capital Resources

During the Track Record Period and up to the Latest Practicable Date, we had historically funded our cash requirements principally from cash generated from operating activities and capital contribution

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from shareholders and financing through issuance and sales of redeemable convertible preferred shares in private placement transactions. Our cash and cash equivalents consist primarily of cash on hand and bank deposits. We had cash and cash equivalents of RMB88.4 million, RMB212.4 million, RMB150.9 million and RMB44.0 million as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively.

We recorded net operating cash inflows of RMB55.7 million, RMB63.0 million and RMB99.0 million for the year ended December 31, 2018 and 2019 and for the nine months ended September 30, 2020, respectively. We recorded net operating cash outflows of RMB144.7 million and RMB8.8 million for the year ended December 31, 2017 and for the nine months ended September 30, 2019, respectively. The underlying reasons for our net cash outflows for the year ended December 31, 2017 and the nine months ended September 30, 2019 are as follows:

Net cash used in operating activities for the year ended December 31, 2017 was RMB144.7 million. We were at the early stage of our development. While the business was expanding, the research and development expenses and the general and administrative expenses were high, compared to the corresponding revenue recognised in the year. As a result, we incurred a net operating loss in 2017, which was one of the main reasons for net cash used in operating activities. Besides, our loans issued in 2017 also led to the operating cash outflow, and these loan receivables were gradually recovered in 2018.

Net cash used in operating activities for the nine months ended September 30, 2019 was RMB8.8 million. Our business expanded and increased at a high speed. With the rapid increase of revenue, the costs and expensed increased correspondingly. Although the net operating cash flow was negative for the nine months of 2019 due to the increased costs and expenses, we managed to speed up the settlement of trade receivables in the fourth quarter, and viewing from the net operating cashflow of the whole year 2019, we realised net cash generated from operating activities. With the enhancement of market competitiveness and negotiation power, we have improved management on account receivables and payment days, which could be demonstrated in the cash generated from operating activities for the nine months ended September 30, 2020.

We recorded operating cash inflows throughout the Track Record Period, other than in 2017 and for the nine months ended September 30, 2019. Net cash generated from operating activities was RMB99.0 million for the nine month ended September 30, 2020, compared with RMB8.8 million of the net cash used in operating activities for the nine months ended September 30, 2019. We will continue to monitor our operating cash flow management through: (i) adopting comprehensive measures to effectively control cost and operating expenses, in particular the general and administrative expenses; and (ii) enhancing working capital management efficiency.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, other funds raised from the capital markets from time to time and the net proceeds received from the Global Offering. We currently do not have any plans for material additional external financing.

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The following table sets forth our cash flows for the periods indicated:

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2017	2018	2019	2019	2020
	(in thousands of RMB)				
	(Unaudited)				
Operating (loss)/profit before changes in working capital	(37,742)	26,984	82,892	62,653	53,240
Changes in working capital	(107,003)	28,673	(19,906)	(71,450)	45,698
Net cash (used in)/generated from operating activities	(144,745)	55,657	62,986	(8,797)	98,938
Net cash generated from / (used in) investing activities	98,872	(509,369)	(31,791)	310,341	(156,498)
Net cash (used in) / generated from financing activities	(23,018)	577,626	(92,632)	(76,169)	(48,646)
Net (decrease) / increase in cash and cash equivalents	(68,891)	123,914	(61,437)	225,375	(106,206)
Cash and cash equivalents at beginning of the year/period	157,331	88,440	212,354	212,354	150,917
Effect of foreign exchange rate changes	—	—	—	—	(701)
Cash and cash equivalents at the end of the year/period	88,440	212,354	150,917	437,729	44,010

Operating activities

Net cash provided by operating activities for the nine months ended September 30, 2020 was RMB98.9 million. Our net loss was RMB115.9 million for the same period. The difference between our net loss and our net cash provided by operating activities was primarily attributable to depreciation of right-of-use assets of RMB41.8 million, share-based compensation of RMB30.1 million and depreciation of property, plant and equipment of RMB12.6 million, partially offset by investment income of RMB17.5 million, and changes in certain working capital accounts, which primarily included (i) decrease in prepaid expenses and other current assets of RMB25.4 million, (ii) increase in trade payables of RMB5.6 million, (iii) increase in contract liabilities of RMB6.0 million, and (iv) decrease in trade receivables of RMB35.8 million, partially offset by decrease in accrued expenses and other liabilities of RMB21.9 million.

Net cash generated from operating activities for the year ended December 31, 2019 was RMB63.0 million. Our net loss was RMB94.1 million for the same period. The difference between our net loss and our net cash generated from operating activities was primarily attributable to depreciation of right-of-use assets of RMB51.4 million, changes in fair value of redeemable convertible preferred shares of RMB76.2 million, share-based compensation of RMB39.4 million, depreciation of property, plant and equipment of RMB16.0 million, and financial costs of RMB11.3 million, and changes in certain working capital accounts, which primarily included (i) an increase in trade receivables of RMB47.7 million, and (ii) an increase in prepaid expenses and other current assets of RMB21.3 million, partially offset by (i) an increase in accrued expenses and other liabilities of RMB40.4 million and (ii) an increase in trade payables of RMB30.3 million.

Net cash generated from operating activities for the year ended December 31, 2018 was RMB55.7 million. Our net loss was RMB181.9 million for the same period. The difference between our net loss and our net cash generated from operating activities was primarily attributable to changes in fair value of redeemable convertible preferred shares of RMB146.3 million, share-based compensation of RMB34.3 million, depreciation of right-of-use assets of RMB30.3 million, and

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depreciation of property, plant and equipment of RMB8.5 million, and changes in certain working capital accounts, which primarily included (i) an increase in trade receivables of RMB80.1 million, and (ii) an increase in prepaid expenses and other current assets of RMB26.0 million, partially offset by (i) an increase in accrued expenses and other liabilities of RMB27.2 million, (ii) a decrease in amounts due from related parties of RMB15.1 million, and (iii) a decrease in loans receivables of RMB82.9 million.

Net cash used in operating activities for the year ended December 31, 2017 was RMB144.7 million. Our net loss was RMB353.5 million for the same period. The difference between our net loss and our net cash used in operating activities was primarily attributable to changes in fair value of redeemable convertible preferred shares of RMB255.4 million, share-based compensation and impairment loss of RMB14.9 million and RMB25.1 million, and changes in certain working capital accounts, which primarily included an increase in the trade receivables of RMB59.7 million and an increase in loans receivable of RMB102.8 million, partially offset by (i) an increase in accrued expenses and other liabilities of RMB39.8 million, and (ii) an increase in contract liabilities of RMB18.4 million.

Investing activities

Net cash used in investing activities for the nine months ended September 30, 2020 was RMB156.5 million. The net cash decrease was primarily attributable to purchase of investments of RMB5,476.5 million and purchase of property, plant and equipment of RMB10.4 million, partially offset by proceeds from sale of investments of RMB5,334.1 million.

Net cash used in investing activities for the year ended December 31, 2019 was RMB31.8 million. The net cash decrease was primarily attributable to RMB7,568.3 million of purchase of investments and RMB39.7 million of purchase of property, plant and equipment, partially offset by RMB7,580.0 million of proceeds from sale of investments.

Net cash used in investing activities for the year ended December 31, 2018 was RMB509.4 million. The net cash decrease was primarily attributable to RMB3,208.7 million of investments in the wealth management products and trust management plans, partially offset by RMB2,712.2 million of proceeds from the sale of investments in the wealth management products and trust management plans.

Net cash generated from investing activities for the year ended December 31, 2017 was RMB98.9 million. The net cash increase was primarily attributable to RMB441.5 million of proceeds from the sale of investments in the wealth management products, partially offset by (i) RMB296.2 million of investments in the wealth management products and the senior tranches of a trust management plan and (ii) RMB38.5 million of the net payment of entity acquired in 2017.

Financing activities

Net cash used in financing activities for the nine months ended September 30, 2020 was RMB48.6 million and consisted primarily of payment of lease liabilities of RMB48.6 million.

Net cash used in financing activities for the year ended December 31, 2019 was RMB92.6 million and consisted primarily of payment of lease liabilities of RMB61.9 million and repayment of bank loans of RMB30.0 million.

Net cash generated from financing activities for the year ended December 31, 2018 was RMB577.6 million and consisted primarily of RMB485.1 million from the issuance of redeemable

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preferred shares, RMB100.0 million of proceeds from a convertible loan made by a third-party non-bank lender, and RMB30.0 million of proceeds from short-term bank loans, offset by RMB34.5 million of payment of lease liabilities and RMB9.6 million of repayment of short-term bank loans.

Net cash used in financing activities for the year ended December 31, 2017 was RMB23.0 million and consisted primarily of RMB16.7 million of payment of lease liabilities and RMB15.0 million of repayment of short-term bank loans, offset by RMB9.6 million of proceeds from short-term bank loans.

In view of our net losses and net liabilities incurred/recorded throughout the Track Record Period and net liabilities as of December 31, 2019 and September 30, 2020, we plan to ensure our working capital sufficiency by: (i) generating more revenue from provision of services to FSP clients through broadening our service offerings, expanding our FSP client base and further penetrating into our existing client base; (ii) adopting comprehensive measures to effectively control cost and operating expenses, in particular general and administrative expenses; and (iii) enhancing working capital management efficiency.

Indebtedness

Borrowings

In November 2017, we borrowed a short-term loan of RMB9.6 million under the facility agreement at the interest rate of 5.655% per annum. The agreement is guaranteed by our Chief Executive Officer. The loan was repaid in May 2018.

In April 2018, we entered into a revolving credit facility agreement with a commercial bank in the PRC for a line of credit of RMB30.0 million for one year. The agreement is guaranteed by our Chief Executive Officer. We borrowed RMB30.0 million under the facility agreement at the interest rate of 5.655% per annum. RMB30.0 million was fully repaid in 2019.

As of January 31, 2021, we had no outstanding balance of borrowings and we did not have any unutilised banking facilities.

Lease liabilities

Our lease liabilities are in relation to properties that we lease for our offices and staff quarters. The following table sets forth our lease liabilities as of the dates indicated:

	At December 31,			As of September 30,	As of January 31,
	2017	2018	2019	2020	2021
	(in thousands of RMB)				
	(Unaudited)				
Current	20,266	21,362	49,629	36,965	47,653
Non-current	8,699	9,295	116,014	99,150	88,456
Total	<u>28,965</u>	<u>30,657</u>	<u>165,643</u>	<u>136,115</u>	<u>136,109</u>

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The table below categorises our lease liabilities payable into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date.

	At December 31,			As of
	2017	2018	2019	September 30, 2020
	(in thousands of RMB)			
Within one year	21,622	22,924	59,922	54,303
One to two years	8,390	8,038	46,495	44,018
More than two years	1,020	1,851	84,482	57,052
Total undiscounted lease liabilities	31,032	32,813	190,899	155,373
Less: total future interest expenses	(2,067)	(2,156)	(25,256)	(19,258)
Total	<u>28,965</u>	<u>30,657</u>	<u>165,643</u>	<u>136,115</u>

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we did not breach any covenant relating to our indebtedness nor experience any difficulty in making payments.

Contingent Liabilities

As of December 31, 2017, 2018 and 2019, September 30, 2020 and January 31, 2021, we did not have any material contingent liabilities, guarantees of any litigations or claims of material importance, pending or threatened against any member of our Company. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Company since January 31, 2021.

Capital Expenditures

Our capital expenditures are primarily incurred for purposes of equipment acquisitions and leasehold improvements. Our capital expenditures were RMB8.0 million, RMB12.6 million, RMB43.4 million and RMB14.1 million for the years ended December 31, 2017 and 2018, 2019 and for the nine months ended September 30, 2020.

We expect that our capital expenditures in 2020 will primarily consist of purchase of property and equipment and other intangible assets. We intend to fund our future capital expenditures with our existing cash balance and proceeds from the Global Offering. We will continue to make capital expenditures to meet the expected growth of our business. See “Future Plans and Use of Proceeds” for more details. We will continue to make capital expenditures to meet the expected growth of our business.

Contractual Obligations

Repurchase commitments

Repurchase commitments represent our obligation to repurchase certain micro-loan assets upon borrowers’ default. The balance of the outstanding loans under the arrangements as of December 31,

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2017, 2018 and 2019 and September 30, 2020 were RMB49.3 million, RMB0.1 million, nil and nil, respectively. Our future aggregate minimum payments under repurchase commitments are as follows:

	As of December 31,			As of
	2017	2018	2019	September 30,
	(in thousands of RMB)			
Within 1 year	49,290	125	—	—
Total	49,290	125	—	—

Off-balance Sheet Commitments and Arrangements

As of the Latest Practicable Date, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties, and we have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity or that are not reflected in our consolidated financial statements. Furthermore, as of the Latest Practicable Date, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity, and we do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

Material Related Party Transactions

We had the following significant related party transactions during the Track Record Period:

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2017	2018	2019	2019	2020
	(in thousands of RMB) (Unaudited)				
Cost of sales charged to related parties					
— Union Mobile Financial Technology Co., Ltd.	33,010	1,412	—	—	—
— Beijing Ningfu Information Technology Co., Ltd.	450	—	—	—	—

The below table sets forth the balances due from related party as of the dates indicated.

	As of December 31,			As of
	2017	2018	2019	September 30,
	(in thousands of RMB)			
Current assets				
Union Mobile Financial Technology Co., Ltd.	607	—	—	—
Beijing Xinbai Information Technology Co., Ltd.	14,505	—	—	—
Total amount due from related parties	15,112	—	—	—

Transactions with Union Mobile

Union Mobile Financial Technology Co., Ltd., or Union Mobile, was considered our related party during the Track Record Period as (i) it was a holder of approximately 1.21% of the equity interests of Beijing Bairong and (ii) Bin Zhang, appointed by Union Mobile, was a director of Beijing Bairong until February 2018. Bin Zhang resigned his position as a director of Beijing Bairong in February 2018. Union Mobile is one of our third-party data partners and provides us with data matching and modelling services. For the year ended December 31, 2017, our cost of sales charged from Union Mobile was RMB33.0 million. As of December 31, 2017, the amount due from Union Mobile was RMB0.6 million and the amount due to Union Mobile was nil. For the two months ended February 28, 2018, our cost of sales charged to Union Mobile was RMB1.4 million. Union Mobile has transferred all of its beneficial interests in Beijing Bairong to two entities unaffiliated with us.

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Transactions with Ningfu

Beijing Ningfu Information Technology Co., Ltd., or Ningfu, is considered our related party as we own 10% of the equity interests of Ningfu. Ningfu is one of our third-party data partners. For the year ended December 31, 2017, our cost of sales charged from Ningfu was RMB0.5 million. As of December 31, 2017, the amount due from or to Ningfu was nil. In 2018, our cost of sales charged to Ningfu was nil, and the amount due from or to Ningfu was nil.

Transactions with Xinbai

Beijing Xinbai Information Technology Co., Ltd., or Xinbai, was considered our related party during the Track Record Period, as it was controlled by Bai Linsen, our director. Bai Linsen resigned his position as a director of Xinbai in May 2018. We made an interest-free loan of RMB14.5 million to Xinbai in 2015. The loan is unsecured and does not have a repayment schedule. The loan was fully repaid by Xinbai in December 2018.

Guarantee provided by Zhang Shaofeng

In December 2016, we entered into a revolving credit facility agreement with a commercial bank in the PRC for a line of credit of RMB30.0 million for one year. The agreement was guaranteed by Zhang Shaofeng. This credit facility was fully repaid in May 2018.

In April 2018, we entered into a new revolving credit facility agreement with a commercial bank in the PRC for a line of credit of RMB30.0 million for one year. The agreement was guaranteed by Zhang Shaofeng. This credit facility was fully repaid in July 2019.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, on normal commercial terms, and they did not distort our results of operations or make our historical results not reflective of our future performance.

Financial Risk Disclosure

We are exposed to a variety of financial risks, including credit risk, foreign exchange risk, inflation and interest rate risk, which are set forth in detail in note 31 to the Accountants' Reports in Appendix I. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. Save as disclosed below, we did not hedge or consider necessary to hedge any of these risks as of the Latest Practicable Date.

Concentrations of credit risk

Our accounts receivable consist primarily of receivables from our FSP clients and are normally settled on a monthly basis. We perform ongoing credit evaluations of our FSP clients and generally do not require collateral on accounts receivable.

For the year ended December 31, 2017, 14% of our net accounts receivable came from a customer and none of our clients individually accounted for more than 10% of our revenue. For the year ended December 31, 2019, 15% of our net accounts receivable came from a customer and none of our clients individually accounted for more than 10% of our revenue. For the year ended December 31, 2018 and the nine months ended September 30, 2020, none of our clients individually accounted for more than 10% of our revenue or net accounts receivable. Due to the good payment history of our largest clients, we believe that the credit risk associated with our clients is minimal.

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The credit risk on our cash and cash equivalents is limited because we place our cash and cash equivalents with financial institutions with high-credit ratings and quality.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised financial assets and liabilities are denominated in a currency that is not the respective functional currency of our entities. Our functional currency and the functional currency of our subsidiaries operating in the PRC are RMB. Substantially all of our revenue and expenses are denominated in Renminbi. Our management considers that the business is not exposed to any significant foreign exchange risk as we have no significant financial assets or liabilities denominated in currencies other than the functional currency of our operating entities.

Interest rate risk

We have not been exposed to material risks attributable to changes in market interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure.

We do not expect rising or falling interest rates to have a material impact on our financial condition unless uncertainty about the direction and timing of interest rate changes materially affects the level of borrowing and lending activity in the economy. Our business is dependent upon the healthy functioning of the credit market in China, and we cannot provide assurance that we will not be exposed to material risks in the event of a credit crisis or prolonged period of uncertainty in the credit market. See “Risk Factors—Risks Relating to Our Business—Our business may be affected by the condition and competitive landscape of China’s credit market.”

After completion of this offering, we may invest the net proceeds we receive from the offering in interest-earning instruments. Investments in both fixed rate and floating rate interest earning-instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted attributable to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall.

Future Dividends

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Dividend distribution to our shareholders is recognised as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate.

Any future determination to pay dividends will be made at the discretion of our Directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. Investors should not purchase our shares with the expectation of receiving cash dividends. We did not declare or pay any dividends on our shares during the Track Record Period and we do not anticipate paying any cash dividends in the foreseeable future.

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Working Capital Confirmation

Taking into account the financial resources available to us, including our cash and cash equivalents on hand and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. Our Directors confirm that we had no material defaults in payment of trade and non-trade payables during the Track Record Period.

Distributable Reserves

As of September 30, 2020, we did not have any distributable reserves.

Listing Expenses

Based on the mid-point Offer Price of HK\$29.15, the total estimated listing expenses in relation to the Global Offering are approximately RMB141.0 million. RMB12.4 million of listing expenses were incurred charged to our consolidated income statements during the Track Record Period. We estimate that we will incur further listing expenses of RMB128.6 million, of which RMB8.5 million will be charged to our consolidated income statement for the period beginning October 1, 2020 and ending December 31, 2020 and RMB18.4 million will be charged to our consolidated income statement for the year of 2021. The remaining balance of approximately RMB101.7 million, which mainly includes underwriting commission, is expected to be accounted for as a deduction from equity upon the completion of the Global Offering. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

Unaudited Pro Forma Statement of Adjusted Net Tangible Assets

The following unaudited pro forma statement of adjusted net tangible assets is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible liabilities attributable to equity owners of the Company as if it had taken place on September 30, 2020. This unaudited pro forma statement of 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 financial position of our Group had the Global Offering been completed as at September 30, 2020 or at any future dates.

	Consolidated net tangible liabilities of our Company attributable to equity holders of the Company as at September 30, 2020 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Estimated impact upon the termination of redeemable convertible preferred shares ⁽³⁾	Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company	Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company per Share ⁽⁴⁾	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of						
HK\$26.50 per Share	(1,339,206)	2,622,179	2,174,921	3,457,894	6.98	8.35
Based on an Offer Price of						
HK\$31.80 per Share	(1,339,206)	3,154,183	2,174,921	3,989,898	8.06	9.64

Notes:

(1) The consolidated net tangible liabilities attributable to equity shareholders of the Company as at September 30, 2020 is based on the total equity attributable to equity shareholders of the Company of RMB1,287.0 million as at September 30, 2020, as shown in the Accountants' Report as set out in Appendix I, with adjustments for goodwill and intangible assets attributable to equity owners of the Company of RMB21.5 million and RMB30.7 million, respectively.

FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$26.50 per Offer Share or HK\$31.80 per Offer Share and 123,822,500 Shares expected to be issued under the Global Offering, after deduction of the underwriting fees and related listing expenses, excluding listing expenses of RMB12.4 million which has been accounted for in our consolidated statements of profit or loss during the Track Record Period, and does not take account of any Shares that may be issued upon exercise of the Over-allotment Option.
- The estimated net proceeds from the Global Offering is converted into Renminbi at an exchange rate of HK\$1.196 to RMB1 published by PBOC prevailing on March 12, 2021. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rate or at all.
- (3) The carrying amount of redeemable convertible preferred shares was RMB2,174.9 million as of September 30, 2020 (as set out in note 27 to Appendix I). Upon the Listing and completion of the Global Offering, all redeemable convertible preferred shares will be converted into Class B shares, preferred rights will be removed and these redeemable convertible preferred shares will be re-designated from liabilities to equity.
- (4) The unaudited pro forma adjusted net tangible assets attributable to equity owners of the Company per Share is arrived at after adjustments as described in notes (2) and (3), and on the basis that 495,289,330 Shares were in issue, assuming that the conversion of redeemable preferred shares into ordinary shares, and the Global Offering had completed on September 30, 2020. This does not take into account of any Shares which may be issued upon exercise of the Over-allotment Option or any Shares which may be issued under the Share Scheme, and any issuance or repurchase and cancellation of Shares.
- (5) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.196 to RMB1 published by PBOC prevailing on March 12, 2021. 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 or at any other rate at all.
- (6) No adjustment has been made to the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company to reflect any trading results or other transactions of the Group subsequent to September 30, 2020.

No Material Adverse Change

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since September 30, 2020, which is the end date of the periods reported on in the Accountants' Report included in Appendix I, and there is no event since September 30, 2020 that would materially affect the information as set out in the Accountants' Report included in Appendix I.

Financial Information of Liming

The table below sets forth the consolidated statements of profit or loss of Liming from January 1, 2017 to November 30, 2017 derived from the consolidated statements of profit or loss of Liming set out in the Accountants' Report included in section III of Appendix I to this document:

	Period from January 1, 2017 to November 30, 2017
	(RMB in thousands)
Revenue	63,522
Cost of sales	(38,673)
Gross profit	24,849
Other income	15
General and administrative expenses	(26,527)
Sales and marketing expenses	(13,327)
Loss from operations	(14,990)
Net finance costs	(496)
Loss before income tax	(15,486)
Income tax expense	(38)
Loss for the period	(15,524)
Other comprehensive income for the period	—
Total comprehensive income for the period	(15,524)

FINANCIAL INFORMATION

Revenues

Revenues primarily consist of commissions and service fees generated from insurance companies, calculated as a percentage of the total insurance premium for the related insurance products, primarily life insurance products.

Cost of sales

Cost of sales primarily consist of the insurance brokerage commission costs paid to our insurance brokers of RMB38.7 million for the period from January 1, 2017 to November 30, 2017.

General and administrative expenses

General and administrative expenses primarily consist of (i) payroll and related expenses for employees involved in general corporate functions and costs associated with the use of facilities and equipment by these functions, and (ii) rental and utilities expenses, depreciation of property, plant and equipment, office and travelling expenses.

Selling and marketing expenses

Selling and marketing expenses primarily consist of (i) salaries and employment benefits for sales related personnel, and (ii) rental and utilities expenses, office and travelling expenses incurred in connection with sales activities.

FINANCIAL INFORMATION

The following table sets forth Liming's cash flows from January 1, 2017 to November 30, 2017:

	Period from January 1, 2017 to November 30, 2017
	(RMB in thousands)
Operating activities	
Net loss	(15,524)
<i>Adjustments for:</i>	
Depreciation of property, plant and equipment	1,409
Depreciation of right-of-use assets	4,071
Finance costs	(496)
Operating loss before changes in working capital	(10,540)
Changes in working capital	
Increase in trade receivables	(1,277)
Increase in prepaid expenses and other current assets	(2,804)
Increase in restricted cash	(5,000)
Decrease in amounts due to related parties	5,000
Increase in trade payables	105
Increase in contract liabilities	111
Increase in accrued expenses and other liabilities	1,459
Net cash used in operating activities	(12,946)
Investing activities	
Purchase of property, plant and equipment	(1,350)
Net cash used in investing activities	(1,350)
Financing activities	
Contribution from shareholders	24,000
Payment of lease liabilities	(5,477)
Net cash generated from financing activities	18,523
Net increase in cash and cash equivalents	4,227
Cash and cash equivalents at the beginning of the period	2,813
Cash and cash equivalents at the end of the period	7,040

Net cash used in operating activities

From January 1, 2017 to November 30, 2017, Liming's net cash used in operating activities was RMB12.9 million. The net loss for the same period was RMB15.5 million. The difference between the net loss and net cash used in operating activities was primarily attributable to the depreciation of property, plant and equipment of RMB1.4 million and depreciation of right-of-use assets of RMB4.1 million, partially offset by certain changes in working capital, including (i) increase in restricted cash of RMB5.0 million; (ii) increase in amounts due to Beijing Bairong of RMB5.0 million; (iii) increase in trade receivables of RMB1.3 million; and (iv) increase in prepaid expenses and other current assets of RMB2.8 million.

Net cash used in investing activities

From January 1, 2017 to November 30, 2017, Liming's net cash used in investing activities was RMB1.4 million, which was primarily attributable to increase in purchase of property, plant and equipment of RMB1.4 million.

Net cash generated from financing activities

From January 1, 2017 to November 30, 2017, Liming's net cash generated from financing activities was RMB18.5 million, which was primarily attributable to received contribution from shareholders of RMB24.0 million, offset by RMB5.5 million of payment of lease liabilities.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business—Our Strategies” in this document for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$29.15 per Share (being the mid-point of the indicative Offer Price range of between HK\$26.50 and HK\$31.80 per Share), we estimate that we will receive net proceeds of approximately HK\$3,440.7 million from the Global Offering after deducting the underwriting commissions and other estimated expenses related to the Global Offering and assuming that the Over-allotment Option is not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- Approximately 45%, or HK\$1,548.3 million, will be used to fund our business expansion with a goal to expand our FSP client base and penetrate into our existing FSP client base, including (i) enhancing the functionalities and features of our existing products and services; (ii) developing new products and services; (iii) improving our tailor-made product-related modelling capabilities based on underlying AI algorithm and other fundamental AI technologies; (iv) identifying suitable third party partners with proprietary technologies and solutions and expertise in a particular sector we desire to further develop or expand into; and (v) expanding our sales and service network to strengthen our client coverage. Specifically, we intend to implement our planned use of proceeds on our business expansion over the next three years, with the detailed breakdown of the proceeds to be allocated as follows:
 - approximately 10%, or HK\$344.1 million, will be used to upgrade and enhance functionalities and features of our existing products and services in big data analytics, precision marketing and insurance distributions over the next three years by (i) refining our existing data analytics products and services to better support the FSP clients’ pre-lending management, post-lending monitoring, NPL management and insurance risk management; (ii) optimising and expanding the core applications of our precision marketing services to address more precision marketing needs of our FSP clients and (iii) enhancing functionalities of Liming Box to further improve the productivity of our brokers. Specifically:
 - for our data analytics services, representative examples of our planned enhancement or upgrade include: (i) we plan to enhance our fraud detection and prevention products by deepening our research and understanding of fraud patterns, developing more predictive models using past know instances of frauds, and utilising advanced relationship-mapping and deep learning algorithms to produce more accurate and comprehensive set of fraud indicators; and (ii) we plan to upgrade our servicing voicebot with better technological features to enable the voicebot to better identify the conversational context in natural language setting and conduct more personalised conversations, and we also plan to optimise algorithms for our servicing voicebot to better identify and handle situations for post-lending monitoring and provide better and more economical call services for financial institutions.
 - for our precision marketing services on Banyan, representative examples of our planned enhancement or upgrade include: (i) we plan to enhance functionalities and features of our precision marketing services by optimising user experience of Banyan and improving the risk assessment engine used in financial product recommendation; and (ii) we plan to work with more FSP clients on Banyan to build a deeper integration of their own system with Banyan through the API connection, which allows us to deliver more precise and timely feedback to our FSP clients.

FUTURE PLANS AND USE OF PROCEEDS

- for our insurance distribution services, representative examples of our planned enhancement or upgrade include: (i) we plan to further streamline our Liming Box with such features including enhanced customer management tools and insurance policy management tools to increase the efficiency of the tracking and management workflow of our brokers; and (ii) we plan to further enrich the insurance training management tools in Liming Box by providing more marketing training and technological support to our brokers.
- we plan to hire and train approximately 150 additional experienced product developers and managers for our planned enhancement or upgrade described above.
- approximately 7%, or HK\$240.8 million, will be used to explore and develop new products and services over the next three years to cover more business and application scenarios for our FSP clients. We will keep investing in product and service innovation to expand our product and service offerings and explore new use cases. Specifically, representative examples of our planned new projects include: (i) we plan to expand our footprint in the insurance industry and are in dialogue with a number of insurance and re-insurance companies to co-develop data analytics solutions to improve efficiency of their underwriting and claim processes; and (ii) we plan to work together with our FSP clients on Banyan to build collaborative models with algorithms, risk scoring and rule-sets configurations tailored to the specific risk assessment needs of the FSP's financial product features and the FSP's customer base to achieve an enhanced precision matching level. We plan to promote and explore these new projects on a pilot basis and talk to potential FSP clients in small-scale business teams. We will leverage our robust FSP client base and continue to deepen our long-term relationship with, and increase the spending by, existing FSP clients, such as seeking to generate recurring revenues and drive subscriptions of our additional products and services.

We plan to hire and train approximately 100 additional experienced product developers and managers for our planned new projects and services described above. Our Directors believe that there is a sufficient number of new products and services we could leverage our database and data analytics capabilities to develop over the next three years.

As of the Latest Practicable Date, we did not expect to imminently pursue a designated number of new product and service offerings. As we operate in a fast-growing industry, we will thoroughly consider expanding our business scale and market share through developing new products and services.

- approximately 8%, or HK\$275.3 million, will be used to improve our tailor-made product-related modelling capabilities based on underlying AI algorithm and other fundamental AI technologies over the next three years to better support our business expansion. Specifically, representative examples of our planned improvement include: (i) we plan to recruit hire and train approximately 100 additional big data developers and algorithm experts with expertise in algorithm and modelling; and (ii) we plan to improve and optimise our specific modelling capabilities by developing more user-friendly packaged models that cover the comprehensive data analytics, precision marketing and insurance distribution needs of our FSP clients for them to subscribe to, individually or in combination.
- approximately 8%, or HK\$275.3 million, will be used over the next three years to identify suitable third-party partners with proprietary datasets, technologies and solutions or expertise in a particular sector that we desire to further develop or expand into. Specifically, we plan primarily to acquire data labels from qualified third-party data providers with expertise in AI

FUTURE PLANS AND USE OF PROCEEDS

and machine learning and with data labels covering financial services, insurance, and health management industries that could supplement and enhance our modelling. We also plan to seek to acquire data labels from qualified third-party data providers with data labels covering the industry verticals we want to expand into, such as e-commerce and auto sales industries. Furthermore, we plan to seek to identify reputable technology companies with technologies or solutions that may enhance or supplement our technologies or products or solutions. We may choose to work with them to co-develop algorithm models to enrich our data analytics capabilities or in-license or purchase the technologies or products that we deem desirable for our services.

Our Directors believe that there is a sufficient number of potential qualified third-party data partners or technology companies we could choose from. We expect to implement this plan in the next three years. As of the Latest Practicable Date, we did not expect to pursue any imminent new data sharing collaboration or technology licensing or collaboration. As we operate in a fast-growing industry, we will thoroughly consider expanding our business scale and market share through data sharing collaboration or technology licensing or collaboration.

We plan to allocate approximately 5% (approximately HK\$172.0 million) on data sharing collaboration with third-party data partners and approximately 3% (approximately HK\$103.2 million) on technology licensing or collaboration. We determined the amount of allocated net proceeds for these purposes based on our past transactions and estimation of future market conditions.

Further, we plan to collaborate with top universities and research institutions to develop technologies in AI and big data and continue to integrate new technologies into our products to better serve our clients. Our cooperation with these technology companies, universities and research centres may include: (i) talent training in internship projects; (ii) scientific and academic research cooperation with universities; (iii) inter-enterprise research and technical cooperation; and (iv) technical and business cooperation with financial institutions.

Our basic cooperation principle is to have common technical and business goals, meet industry-leading technical and business standard and achieve a win-win situation. These collaborations will help us accumulate various insights and enable us to explore new commercialisation opportunities. In addition, as we continue to explore more use cases of our applications and solutions in the financial services industry, our collaborators can assist us with the feasibility study on such applications and solutions. As of the Latest Practicable Date, we were still exploring, and had not identified any specific, potential collaborations.

- approximately 12%, or HK\$412.9 million, will be used over the next three years to expand our sales and service network to better serve our FSP clients. Specifically, (i) approximately 3%, or HK\$103.2 million will be used to recruit approximately 20 additional industry solution experts to enhance our business development capabilities to offer feasible solutions to diversified FSP clients in banking, insurance, consumer finance and other business sectors; (ii) approximately 5%, or HK\$172.0 million will be used to hire and train approximately 40 additional sales personnel, to strengthen our sales network to help further increase market penetration and achieve expansion of existing FSP client base; and (iii) approximately 4%, or HK\$137.6 million will be used to build and enhance awareness of our brand by organising and participating in approximately 20 financial summits (in relation to the application of big data technology in the financial industry and the digital transformation of the financial industry in China) each year, or in close collaboration with relevant associations and clients.

FUTURE PLANS AND USE OF PROCEEDS

The selling and marketing expenses associated with the aforementioned expansion of our sales and service network efforts include employee benefits and expenses and traveling, business development and general office expenses for employees engaging in selling and marketing function, and promotion and advertising expenses. We expect our future selling and marketing expenses will account for approximately 35% of this use of proceeds. As a result of such plans, we expect that our revenue will continue to grow. In terms of cost structure, we expect that (i) our cost of sales and services as well as our research and development expenses will increase, as we develop new services and solutions and further deepen and expand our market presence, and (ii) our selling and marketing expenses will increase as we invest more to develop our brand awareness and for FSP client acquisition for new services and solutions.

- Approximately 30%, or HK\$1,032.2 million, will be used over the next three years to enhance our efforts in research and development to explore cutting-edge underlying technologies and improve our existing technology infrastructure, such as AI algorithm, automatic real-time analysis and distributed relationship mapping system, with a goal to provide a more secure, stable and faster services to our FSP clients. Specifically, we will continue to: (i) enhance our distributed relationship mapping capabilities, which differ from traditional knowledge graphs, and are a set of concepts and technologies accumulated from our years of work in financial big data applications; (ii) invest resources to develop our AutoML technology to train more unique models in the financial industry field, including software and hardware, and continue to improve algorithms and strengthen our ability of basic structural standardisation; and (iii) further develop our AI and machine learning capabilities, including automated model building and knowledge discovery that empower our FSP clients' needs, such as customer acquisition, pre-lending management, post-lending monitoring, and NPL management. We will focus on investing in AI computing and related machine learning and data processing technologies that collectively help enhance our data analytical capabilities and optimise the algorithms used in our risk assessment models and precision marketing product recommendation engines. We will further invest in our cloud infrastructure by adding more processing power and simultaneous data backup facilities, as well as optimising cloud operating system to improve our service capability and reliability. Furthermore, we aim to further strengthen AI-powered cloud-based data analytics solutions and continue to explore new and innovative applications and monetisation initiatives for our AI technology applications (such as our Bairong distributed relationship mapping system, natural language processing engines, multi-party computation platform, etc.). We will continue to develop and apply suitable AI technologies to improve the effectiveness of our data analytics services, precision marketing services and insurance distribution services. We will continue to attract and retain the best minds in the fields of AI, machine learning and data science, experienced professionals with deep understanding of the financial services industry and also top talents with strong knowledge in the financial industry. We will continue to improve and maintain our computing power. We also plan on expanding our cooperation with the world's leading technology companies, universities and research centres, leveraging their advanced technologies and know-hows to facilitate our innovation, further strengthen our data processing capabilities and AI technology and shorten the development cycle of our solutions.

Specifically, we intend to implement our planned use of proceeds on enhancing our technologies and improving our existing technology infrastructure over the next three years, with a detailed breakdown of the proceeds to be allocated as follows:

- approximately 20%, or HK\$688.1 million, will be used over the next three years on (i) recruitment and compensation of more talent, such as those in the fields of AI, machine learning and data science, as we plan to increase our research, technology and product

FUTURE PLANS AND USE OF PROCEEDS

development personnel headcount by around 10% to 15% next year and recruit more talent in subsequent years and (ii) enhanced compensation and additional incentives to our existing research, technology and product development personnel. Specifically, we plan to hire and train approximately 300 more IT experts, technical architects, software developing and testing engineers over the next three years and use the expertise of these talent to (i) improve and enhance our existing core underlying AI technologies, such as AI-based Bairong distributed relationship mapping system, machine learning platform, and artificial intelligence models, to enhance service capabilities of the relevant platforms and improve client experience, (ii) upgrade our existing technology infrastructure, increasing storage and computing capacities and system security, with the goal to provide technical support for our expanded coverage of more FSP clients and scenarios, (iii) improve the seamless integration capability of our cloud-native solutions to provide our FSP clients with faster and better decision-making support; and (iv) to further develop our AI lab, our smart servicing voicebot and our intelligent machine learning model training platform AutoML. We will continue to attract and retain top-notch experts in data science, AI and financial services sectors to support our fast growing business.

- approximately 10%, or HK\$344.1 million, will be used over the next three years on enhancement of our technology infrastructure, including computing power maintenance and improvement. We plan to expand our existing two data centres in Beijing based on business needs and build a back-up data centre outside Beijing to protect our database in 2022. Out of the total proceeds we plan to spend on our data centres, we plan to spend 6% on expanding our data centres and 4% on building our back-up data centre. Specifically, to expand our existing data centres, we plan to purchase more servers and network equipment from qualified suppliers to further improve our own private cloud infrastructure and environment to support our platform as well as to host our services to our FSP clients and to ensure the security and robustness of our business operations.

As a result of such plans, we expect that our service and solution portfolio will be further diversified and enriched. In the short term, we expect our research and development expenses and capital expenditure to increase and have a downward pressure on our profit margin. In the long term, we believe such impact will be absorbed by our revenue growth and gross margin expansion, as such investment in our core capabilities will allow us to develop and deliver additional and diversified products and solutions, expand and penetrate into new industry verticals, and improve our operational efficiency.

- Approximately 15%, or HK\$516.1 million, will be used over the next three years to selectively pursue strategic investments and acquisitions that we believe will allow us to expand our existing product and service offerings, improve our technology capabilities, and enhance our value proposition to our FSP clients. We will pursue suitable strategic investments and acquisitions in China only if we believe we have identified (i) businesses with proven monetisation models in the financial big data solutions market that synergize with our plans to enhance or broaden our service and solution offerings, such as those that can leverage our AI capabilities; and (ii) businesses that possess cutting-edge technologies such as AI, big data analytics and other technologies related to our business that would allow us to enhance our data intelligence infrastructure, such as start-up companies or teams that have advanced AI, big data analytics or cloud computing platforms that can be integrated into and optimise our current technology platforms. Otherwise we will only choose to work with qualified third party partners described above to either obtain desired data labels from them or in-license desired technologies or solutions from them.

FUTURE PLANS AND USE OF PROCEEDS

We plan to allocate approximately 6% (approximately HK\$206.4 million) on potential targets in subclause (i) described in this paragraph and approximately 9% (approximately HK\$309.7 million) on potential targets in subclause (ii) described in this paragraph. We determined the amount of allocated net proceeds for these purposes based on our past transactions and estimation of future market conditions. We currently intend to make investments in targets located in China. We may invest in fintech companies, insurance companies or other financial services providers that can contribute their resources to enhance our database and data analytics capabilities and can enrich our offerings to our FSP clients. Our Directors believe that there is a sufficient number of potential targets as many fintech companies, insurance companies or other financial services providers exist in China.

We expect to implement this plan in the next three years. As of the Latest Practicable Date, we had not entered into any binding commitment, whether oral or written, for any business or asset acquisitions and did not expect to pursue any imminent acquisitions or investments. As we operate in a fast-growing industry, we will thoroughly consider expanding our business scale and market share through strategic investments and acquisitions. As a result of such plans, in the short term, we may have net cash outflow in investing activities and increased goodwill. In the long term, we believe such impact will be absorbed by our growth, as such plans will allow us to strengthen our technical and data analytics capabilities and realise synergies from business integration and cooperation, so as to drive revenue growth and margin expansion.

- Approximately 10%, or HK\$344.1 million, will be used for working capital and general corporate purposes.

If the Offer Price is fixed at the high or low end of the Offer Price range (assuming the Over-allotment Option is not exercised), the net proceeds will increase or decrease by approximately HK\$318.3 million (after deducting underwriting fees and expenses related to the Global Offering). We intend to apply the additional or reduced net proceeds to the above uses on a pro rata basis.

If the Over-allotment Option is exercised in full, we will receive additional net proceeds of approximately HK\$572.9 million and approximately HK\$477.3 million if the Offer Price is fixed at the high and low end of the Offer Price range, respectively. We intend to apply the additional net proceeds to the above uses on a pro rata basis.

If the net proceeds of the Global Offering are not immediately used for the purposes described above, they will only be placed on short-term demand deposits with banks or authorised financial institutions.

UNDERWRITING

HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited

China International Capital Corporation Hong Kong Securities Limited

CMBC Securities Company Limited

ICBC International Securities Limited

Haitong International Securities Company Limited

CMB INTERNATIONAL CAPITAL LIMITED

Daiwa Capital Markets Hong Kong Limited

Futu Securities International (Hong Kong) Limited

SBI China Capital Financial Services Limited

UNDERWRITING

This document is published solely in connection with the Hong Kong Offering. The Hong Kong Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Offering of initially 12,383,000 Hong Kong Offer Shares and the International Offering of initially 111,439,500 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” in this document as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on March 18, 2021. Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this document and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, (i) the Class B Shares in issue and to be issued pursuant to the Global Offering (including the additional Class B Shares which may be issued pursuant to the exercise of the Over-allotment Option); (ii) the Class B Shares to be issued under the Share Schemes; and (iii) the Class B Shares that are issuable upon conversion of the Class A Shares, on the Main Board of the Stock Exchange and such approval not having been subsequently revoked prior to the commencement of trading of the Class B Shares on the Stock Exchange and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Offering on the terms and conditions set out in this document and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for termination

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by written notice to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any local, national, regional or international 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, large scale outbreak of disease (including, without limitation, SARS, swine or avian flu, H5N1, H1N1, H7N9, and such related/mutated forms and any mutated forms of contagious coronavirus (COVID-19)), economic sanctions, strikes, lock-outs, 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 the Cayman Islands, Hong Kong, the PRC, the United States, the United Kingdom, the European Union or any other jurisdiction relevant to any member of the Group or the Global Offering (collectively, the “**Relevant Jurisdictions**”);
 - (ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any 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 Relevant Jurisdictions;
 - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange;
 - (iv) any general moratorium on commercial banking activities in the Cayman Islands, Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), the PRC, New York (imposed at Federal or New York State level or other competent Authority), London, or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction;
 - (v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a material change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
 - (vi) the imposition of new economic sanctions, in whatever form, directly or indirectly, by, or for any of the Relevant Jurisdiction in respect of any jurisdiction relevant to the business operations of any member of the Group; or
 - (vii) any change or development involving a prospective change in or affecting taxes or exchange control, currency exchange rates or foreign investment regulations (including,

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without limitation, a material devaluation of the Hong Kong dollar or the RMB against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

- (viii) any litigation or claim of any third party being threatened or instigated against any member of the Group; or
- (ix) any Director or any member of the Group's senior management as named in this document being charged with an indictable offense or prohibited by operation of laws or otherwise officially disqualified from taking part in the management or taking directorship of a company; or
- (x) the chairman, the chief executive officer or the chief financial officer of the Company or the executive Directors vacating his or her office; or
- (xi) any authority or any political body or organisation in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (xii) any material contravention by any member of the Group of the Listing Rules or applicable laws; or
- (xiii) any prohibition by an authority on the Company for whatever reason from offering, allotting, issuing or selling any of the Class B Shares (including the additional Class B Shares which may be issued upon exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xiv) any non-compliance of this document (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or
- (xv) the issue or requirement to issue by the Company of any supplement or amendment to this Prospectus (or to any other documents issued or used in connection with the contemplated offer and sale of the Class B Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or an order or petition for the involuntary 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 voluntary 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,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators and the Joint Sponsors:

- (1) 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;
- (2) 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;

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- (3) 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;
 - (4) has or will have or is likely to have the effect of making any part of this 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
- (b) there has come to the notice of the Joint Global Coordinators or the Joint Sponsors that:
- (i) any statement contained in this document, the formal notice, the price determination agreement, the receiving bank agreement, and the share registrar agreement, the preliminary offering circular, the post-hearing information pack and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Offering (collectively, the “**Offer Related Documents**”) (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions in a material respect;
 - (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this document, constitute a material omission from any of the Offer Related Documents (including any supplement or amendment thereto); or
 - (iii) any material breach of any of the obligations imposed upon the Company or the under the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings of the Company as set out under the Hong Kong Underwriting Agreement); or
 - (iv) there is an event, act or omission which gives or is likely to give rise to any material liability of the Company; or
 - (v) there is 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 Company and the other members of the Group, taken as a whole; or
 - (vi) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Class B Shares to be issued or sold (including any additional Class B Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) 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
 - (vii) the Company withdraws any of the Offering Documents or the Global Offering; or
 - (viii) any expert (other than the Joint Sponsors), whose consent is required for the issue of the prospectus with the inclusion of its reports, letters or opinions and references to its name

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included in the form and context in which it respectively appears, has withdrawn or is subject to withdrawing its consent to being named in this document or to the issue of any of the Hong Kong Offering documents.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not issue any further Shares, or securities convertible into equity securities of the Company (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) the issue of Shares or securities pursuant to the Global Offering, the Over-allotment Option and the Share Schemes or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange and the Company that he/it will not and will procure that the relevant registered holder(s) will not:

- (i) in the period commencing on the date by reference to which disclosure of his/its holding of Shares is made in this document and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this document to be the beneficial owner; and
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder of the Company, in each case, save as permitted under the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange and the Company that, within the period commencing on the date by reference to which disclosure of his/its holding of Shares is made in this document and ending on the date which is 12 months from the Listing Date, he/it will:

- (i) when he/it pledges or charges any Shares beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when he/it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform the Company of such indications.

Undertakings pursuant to the Hong Kong Underwriting Agreement

The Company has undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors and the Hong Kong Underwriters not to (save for the issue, offer or sale of the Class B Shares by the Company pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the issue of Class B Shares under the Share Schemes and otherwise

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pursuant to the Listing Rules), without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and the Joint Sponsors and unless in compliance with the requirements of the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”):

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, 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 agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the 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 securities of the Company, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of the Company, as applicable, with a depository in connection with the issue of depository receipts;
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or other securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company, as applicable or any interest in any of the foregoing);
- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any such transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

During the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), the Company shall not enter into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction such that any Controlling Shareholder, directly or indirectly, would cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of the Company.

In the event that, during the Second Six-Month Period, the Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Hong Kong Underwriters’ interests in the Company

Qianhai Golden Bridge IV LP, being a close associate of the controlling shareholder of China International Capital Corporation Hong Kong Securities Limited and regarded as a member of China International Capital Corporation Hong Kong Securities Limited, will hold approximately 5.19% of the issued share capital of our Company immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes).

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Save as disclosed above and save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Class B Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Company expects to enter into the International Underwriting Agreement with the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See “Structure of the Global Offering—The International Offering”.

Over-allotment Option

The Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Offering, pursuant to which the Company may be required to issue up to an aggregate of 18,573,000 Class B Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any. See “Structure of the Global Offering—Over-allotment Option”.

Commissions and Expenses

The Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Underwriters may receive a discretionary incentive fee of up to 1.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK\$29.15 per Offer Share (which is the mid-point of the Offer

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Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK\$166.0 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK\$226.5 million (assuming an Offer Price of HK\$29.15 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) and will be paid by our Company.

Indemnity

The Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group’s loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Class B Shares (which financing may be secured by the Class B Shares) in the Global Offering, proprietary trading in the Class B Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Class B Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Class B Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Class B Shares, in baskets of securities or indices including the Class B Shares, in units of funds that may purchase the Class B Shares, or in derivatives related to any of the foregoing.

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In relation to issues by Syndicate Members or their affiliates of any listed securities having the Class B Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Class B Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed “Structure of the Global Offering” in this document. Such activities may affect the market price or value of the Class B Shares, the liquidity or trading volume in the Class B Shares and the volatility of the price of the Class B Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilisation Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Offering as part of the Global Offering. Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited and CMBC Securities Company Limited are the Joint Global Coordinators of the Global Offering.

The listing of the Class B Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Stock Exchange for the listing of, and permission to deal in, (i) the Class B Shares in issue and to be issued pursuant to the Global Offering (including the additional Class B Shares which may be issued pursuant to the exercise of the Over-allotment Option), (ii) the Class B Shares to be issued under the Share Schemes; and (iii) the Class B Shares that are issuable upon conversion of the Class A Shares.

123,822,500 Offer Shares will initially be made available under the Global Offering comprising:

- (a) the Hong Kong Offering of initially 12,383,000 Class B Shares (subject to reallocation) in Hong Kong as described in the sub-section “The Hong Kong Offering” in this section below; and
- (b) the International Offering of initially 111,439,500 Class B Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in the sub-section headed “The International Offering” in this section below.

Investors may either:

- (i) apply for Hong Kong Offer Shares under the Hong Kong Offering; or
- (ii) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 25.0% of the total Shares in issue immediately following the completion of the Global Offering and the Share Subdivision, assuming the Over-allotment Option is not exercised and no Class B Shares are issued under the Share Schemes. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the total Shares in issue immediately following the completion of the Global Offering and the Share Subdivision, assuming no Class B Shares are issued under the Share Schemes.

References in this prospectus to applications, application monies or the procedure for applications relate solely to the Hong Kong Offering.

THE HONG KONG OFFERING

Number of Offer Shares initially offered

The Company is initially offering 12,383,000 Class B Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Offering, will represent approximately 2.50% of the total Shares in issue immediately following the completion of the Global Offering and Share Subdivision (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes).

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Offering is subject to the conditions set out in the sub-section headed “Conditions of the Global Offering” in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Offering will be based solely on the level of valid applications received under the Hong Kong Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Offering and any application for more than 6,191,500 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the number of Offer Shares validly applied for under the Hong Kong Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Offering, then Offer Shares will be reallocated to the Hong Kong Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Offering will be

STRUCTURE OF THE GLOBAL OFFERING

increased to 37,147,000 Offer Shares (in the case of (a)), 49,529,000 Offer Shares (in the case of (b)) and 61,912,000 Offer Shares (in the case of (c)), representing approximately 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Offering to satisfy valid applications under the Hong Kong Offering.

If the Hong Kong Offering is not fully subscribed, the Joint Global Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

The Offer Shares to be offered in the Hong Kong Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators. If such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, in accordance with Guidance Letter HKEX-GL91-18, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Offering will be 24,766,000 Class B Shares, representing double of the initial allocation to the Hong Kong Offering and, in such circumstance, the final Offer Price shall be fixed at the low-end of the indicative offer price range (i.e. HK\$26.50 per Offer Share) stated in this prospectus.

Applications

Each applicant under the Hong Kong Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Offering are required to pay, on application, the maximum Offer Price of HK\$31.80 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$16,060.23 for one board lot of 500 Class B Shares. If the Offer Price, as finally determined in the manner described in the sub-section headed "Pricing and Allocation" in this section below, is less than the maximum Offer Price of HK\$31.80 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares".

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 111,439,500 Class B Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered

STRUCTURE OF THE GLOBAL OFFERING

under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Offering, will represent approximately 22.50% of the total Shares in issue immediately following the completion of the Global Offering and Share Subdivision (assuming the Over-allotment Option is not exercised and no Class B Shares are issued under the Share Schemes).

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in sub-section headed “Pricing and Allocation” in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong 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 subsection “The Hong Kong Offering—Reallocation” in this section above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Offering, to require the Company to issue up to an aggregate of 18,573,000 additional Class B Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any.

STRUCTURE OF THE GLOBAL OFFERING

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 3.61% of the total Shares in issue immediately following the completion of the Global Offering and the Share Subdivision, assuming no Class B Shares are issued under the Share Schemes. If the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practise used by underwriters in some markets to facilitate the distribution of securities. To stabilise, 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 stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilisation Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Class B 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 Stabilisation Manager (or any person acting for it) to conduct any such stabilising action. Such stabilising action, if taken, (a) will be conducted at the absolute discretion of the Stabilisation Manager (or any person acting for it) and in what the Stabilisation Manager reasonably regards as the best interest of the Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Class B Shares, (b) selling or agreeing to sell the Class B Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Class B Shares, (c) purchasing, or agreeing to purchase, the Class B Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Class B Shares for the sole purpose of preventing or minimising any reduction in the market price of the Class B Shares, (e) selling or agreeing to sell any Class B Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilisation Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the Class B Shares;
- (b) there is no certainty as to the extent to which and the time or period for which the Stabilisation Manager (or any person acting for it) will maintain such a long position;
- (c) liquidation of any such long position by the Stabilisation Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Class B Shares;
- (d) no stabilising action can be taken to support the price of the Class B Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on Friday, April 23, 2021, being the 30th day after the last day for lodging applications under the Hong Kong Offering. After this date, when no further stabilising action may be taken, demand for the Class B Shares, and therefore the price of the Class B Shares, could fall;

STRUCTURE OF THE GLOBAL OFFERING

- (e) the price of the Class B Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- (f) stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

Over-Allocation

Following any over-allocation of the Class B Shares in connection with the Global Offering, the Stabilisation 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 Class B Shares purchased by the Stabilisation Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

Stock Borrowing Agreement

To cover any over-allocation of Shares in connection with the Global Offering, the Stabilisation Manager may choose to borrow up to 18,573,000 Class B Shares (being the maximum number of Class B Shares which may be issued pursuant to the exercise of the Over-allotment Option) from GCBR Holdings Limited pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilisation Manager and GCBR Holdings Limited on or about the Price Determination Date for the sole purpose of covering any short position before the exercise of the Over-allotment Option.

The same number of Class B Shares so borrowed must be returned to GCBR Holdings Limited or its nominees, as the case may be, on or before the fifth business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised and (ii) the day on which the Over-allotment Option is exercised in full, or such earlier time as may be agreed in writing between the parties of the Stock Borrowing Agreement.

The Class B Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements in Hong Kong. No payment will be made to GCBR Holdings Limited by the Stabilisation Manager (or any person acting for it) in relation to such Class B Shares borrowing arrangement.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Wednesday, March 24, 2021 and, in any event, no later than Tuesday, March 30, 2021, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$31.80 per Offer Share and is expected to be not less than HK\$26.50 per Offer Share, unless otherwise announced, as further explained below. Applicants under

STRUCTURE OF THE GLOBAL OFFERING

the Hong Kong Offering must pay, on application, the maximum Offer Price of HK\$31.80 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$16,060.23 for one board lot of 500 Class B Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this prospectus.**

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered and/or the Offer Price Range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Offering, cause to be published on the websites of the Company and the Stock Exchange at www.brgroup.com and www.hkexnews.hk, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price Range. If the number of Offer Shares and/or the Offer Price range is so reduced, all applicants who have already submitted an application will need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid.

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 Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and the Company, will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Offering are expected to be made available through a variety of channels in the manner described in the section headed “How to Apply for Hong Kong Offer Shares—Publication of Results” in this prospectus.

UNDERWRITING

The Hong Kong Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Global Coordinators (on behalf of the Underwriters) and the Company agreeing on the Offer Price.

STRUCTURE OF THE GLOBAL OFFERING

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, (i) the Class B Shares in issue and to be issued pursuant to the Global Offering (including the additional Class B Shares which may be issued pursuant to the exercise of the Over-allotment Option); (ii) the Class B Shares to be issued under the Share Schemes; and (iii) the Class B Shares that are issuable upon conversion of the Class A Shares on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;
- (b) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company;
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company on or before Tuesday, March 30, 2021, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Offering will be published by the Company on the websites of the Company and the Stock Exchange at www.brgroup.com and www.hkexnews.hk, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares—Refund of Application Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Wednesday, March 31, 2021, provided that the Global Offering has become unconditional in all respects at or before that time.

STRUCTURE OF THE GLOBAL OFFERING

DEALINGS IN THE CLASS B SHARES

Assuming that the Hong Kong Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, March 31, 2021, it is expected that dealings in the Class B Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, March 31, 2021.

The Class B Shares will be traded in board lots of 500 Class B Shares each and the stock code of the Class B Shares will be 6608.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

The Company has adopted a fully electronic application process for the Hong Kong Offering. The Company will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and the Company’s website at www.brgroup.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. The Company will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of the Company’s Hong Kong Share Registrar and White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8600 from 9:00 a.m. to 9:00 p.m. on Friday, March 19, 2021, Monday, March 22, 2021 and Tuesday, March 23, 2021, from 9:00 a.m. to 6:00 p.m. on Saturday, March 20, 2021 and Sunday, March 21, 2021 and from 9:00 a.m. to 12:00 noon on Wednesday, March 24, 2021.

A. APPLICATIONS FOR THE HONG KONG OFFER SHARES

1. How to Apply

The Company will not provide any printed application forms for use by the public.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **White Form eIPO** service at www.eipo.com.hk; or
- (2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing 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; or
 - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (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 CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will 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.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **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

Eligibility for the Application

You can apply for the Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

If an application is made by a person under a power of attorney, the Company and the Joint Global Coordinators may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares and/or a substantial shareholder of any of the Company's subsidiaries;
- you are the Company's director or chief executive and/or a director or chief executive officer of its subsidiaries;
- you are a connected person of the Company or a person who will become a connected person of the Company immediately upon the completion of the Global Offering; or
- you are an associate of any of the above persons; or
- you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the **White Form eIPO** service, you must:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. Terms and Conditions of an Application

By applying through the application channels specified in this prospectus you:

- undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as their agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- agree to comply with the Company's Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Act;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and/ or their respective advisers and agents any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;
- 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 and the Underwriters nor any of their respective officers or advisers will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus;
- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong;
- represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- 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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- authorise (i) the Company to place your name(s) or the name of HKSCC Nominees on the Company’s register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Company’s Memorandum and Articles of Association and (ii) the Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first- named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in “—Personal Collection” below to collect the Share certificate(s) and/or refund cheque(s) in person;
- 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, its directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **White Form eIPO** service by you or by any one as your agent or by any other person; and
- (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 by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant and 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).

4. Minimum Application Amount and Permitted Numbers

Your application through the **White Form eIPO** service or the **CCASS eIPO** service must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$
500	16,060.23	8,000	256,963.59	70,000	2,248,431.40	1,000,000	32,120,448.60
1,000	32,120.45	9,000	289,084.04	80,000	2,569,635.89	1,250,000	40,150,560.75
1,500	48,180.68	10,000	321,204.49	90,000	2,890,840.37	1,500,000	48,180,672.90
2,000	64,240.90	15,000	481,806.73	100,000	3,212,044.86	1,750,000	56,210,785.05
2,500	80,301.13	20,000	642,408.97	200,000	6,424,089.72	2,000,000	64,240,897.20
3,000	96,361.35	25,000	803,011.22	300,000	9,636,134.58	2,500,000	80,301,121.50
3,500	112,421.58	30,000	963,613.46	400,000	12,848,179.44	3,000,000	96,361,345.80
4,000	128,481.79	35,000	1,124,215.70	500,000	16,060,224.30	3,500,000	112,421,570.10
4,500	144,542.02	40,000	1,284,817.94	600,000	19,272,269.16	4,000,000	128,481,794.40
5,000	160,602.24	45,000	1,445,420.19	700,000	22,484,314.02	4,500,000	144,542,018.70
6,000	192,722.69	50,000	1,606,022.43	800,000	25,696,358.88	5,000,000	160,602,243.00
7,000	224,843.14	60,000	1,927,226.92	900,000	28,908,403.74	6,191,500 ⁽¹⁾	198,873,757.51

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. Applying Through the White Form eIPO Service

General

Individuals who meet the criteria in “—Who Can Apply” above may apply through the **White Form eIPO** service for the Offer Shares to be allocated 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 set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise 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 Provider.

If you have any questions on how to apply through the **White Form eIPO** service for the Hong Kong Offer Shares, please contact the telephone enquiry line of the **White Form eIPO** Service Provider at +852 2862 8600 which is available from 9:00 a.m. to 9:00 p.m. on Friday, March 19, 2021, Monday, March 22, 2021 and Tuesday, March 23, 2021, from 9:00 a.m. to 6:00 p.m. on Saturday, March 20, 2021 and Sunday, March 21, 2021 and from 9:00 a.m. to 12:00 noon on Wednesday, March 24, 2021.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Friday, March 19, 2021 until 11:30 a.m. on Wednesday, March 24, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, March 24, 2021, the last day for applications, or such later time as described in “C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists” below.

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 “Bairong Inc.” **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

6. Applying Through CCASS EIPO Service

General

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. 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 Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by

HOW TO APPLY FOR HONG KONG OFFER SHARES

calling +852 2979 7888 (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 CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Share Registrar.

Applying through CCASS EIPO Service

Where you have applied through **CCASS EIPO** service (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

- HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and
- HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant’s stock account on your behalf or your CCASS Investor Participant’s stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
 - declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person’s benefit and are duly authorised to give those instructions as its agent;
 - confirm that you understand that the Company, its directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
 - authorise the Company to place HKSCC Nominees’ name on its register of members as the holder of the Hong Kong Offer Shares allocated to you, and despatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company 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 read this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;
 - agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties

HOW TO APPLY FOR HONG KONG OFFER SHARES

involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

- agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and/ or their respective advisers and agents any personal data which they may require about you;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company's agreement that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding any days 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 (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the results of the Hong Kong Offering;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic **application instructions** to apply for the Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with its Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Act; and
- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of Applying through CCASS EIPO Service

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised 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 authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Friday, March 19, 2021 – 9:00 a.m. to 8:30 p.m.
Monday, March 22, 2021 – 8:00 a.m. to 8:30 p.m.
Tuesday, March 23, 2021 – 8:00 a.m. to 8:30 p.m.
Wednesday, March 24, 2021 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, March 19, 2021 until 12:00 noon on Wednesday, March 24, 2021 (24 hours daily, except on Wednesday, March 24, 2021, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, March 24, 2021, the last day for applications, or such later time as described in “C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists” below.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Note:

(1) The times in this subsection are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants, CCASS Custodian Participants and/or CCASS Investor Participants.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, 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. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practises of the Company and its Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or its agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or its Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Company's Register of Members;
- verifying identities of the holders of the Company's Shares;
- establishing benefit entitlements of holders of the Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Company's Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to holders of the Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Transfer of personal data

Personal data held by the Company and its Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and its Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bank and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

The Company and its Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or the Company's Hong Kong Share Registrar for the attention of the privacy compliance officer.

7. Warning for Electronic Applications

The application for the Hong Kong Offer Shares by **CCASS eIPO** service (directly or indirectly through your **broker** or **custodian**) is only a facility provided to CCASS Participants. Similarly, the application for the Hong Kong Offer Shares through the **White Form eIPO** service is 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 day for applications to make your electronic application. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators, the Underwriters and the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through **CCASS eIPO** service or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

HOW TO APPLY FOR 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.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS eIPO** service (directly or indirectly through your **broker** or **custodian**) 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**), and the number of Hong Kong Offer Shares applied 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 behalf.

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. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an unlisted company makes an application and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“**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).

B. How Much are the Hong Kong Offer Shares

The maximum Offer Price is HK\$31.80 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 500 Hong Kong Offer Shares, you will pay HK\$16,060.23.

You must pay the maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS eIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. If you make an **electronic application instruction** for more than 500 Hong Kong Offer Shares, the number of Hong Kong Offer Shares you apply for must be in one of the specified numbers set out in the section headed “—4. Minimum Application Amount and Permitted Numbers”.

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If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure of the Global Offering—Pricing and Allocation”.

C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists

The application lists will not open or close 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 Wednesday, March 24, 2021. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, March 24, 2021 or if there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, the Company will make an announcement on its website at www.brgroup.com and the website of the Stock Exchange at www.hkexnews.hk.

D. Publication of Results

The Company expects to announce the pricing of the Offer Shares on Wednesday, March 24, 2021 on its website at www.brgroup.com and on the website of the Stock Exchange at www.hkexnews.hk.

The Company expects to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Offering and the basis of allocations of the Hong Kong Offer Shares on Tuesday, March 30, 2021 on its website at www.brgroup.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 Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the Company’s website and the website of the Stock Exchange at www.brgroup.com and www.hkexnews.hk, respectively, by no later than Tuesday, March 30, 2021;
- from the designated results of allocations website at www.iporeresults.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 Tuesday, March 30, 2021 to 12:00 midnight on Monday, April 5, 2021; and
- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Tuesday, March 30, 2021, Wednesday, March 31, 2021, Thursday, April 1, 2021 and Wednesday, April 7, 2021.

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If the Company accepts your offer to purchase (in whole or in part), which the Company may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in the section headed “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

E. Circumstances in Which You Will Not be allocated the Hong Kong Offer Shares

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

If your application is revoked:

By applying through the **CCASS EIPO** service or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days 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 the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person’s responsibility for this prospectus; or
- if any supplement to this prospectus is issued, in which case the Company will notify applicants who have already submitted an application 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.

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 or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

If:

- you make multiple applications or are suspected of making multiple applications;

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- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) the Hong Kong Offer Shares and the International Offer Shares;
- your payment is not made correctly;
- 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 at **www.eipo.com.hk**;
- you apply for more than 6,191,500 Hong Kong Offer Shares, being 50% of the 12,383,000 Hong Kong Offer Shares initially available under the Hong Kong Offering;
- the Company or the Joint Global Coordinators believe that by accepting your application, a violation of applicable securities or other laws, rules or regulations would result; or
- the Underwriting Agreements do not become unconditional or are terminated.

F. 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\$31.80 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Offering are not fulfilled in accordance with “Structure of the Global Offering—Conditions of the Hong Kong 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 Tuesday, March 30, 2021.

G. Despatch/Collection of Share Certificates/e-Refund Payment Instructions/Refund Cheques

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

The Company will not issue temporary document of title in respect of the Offer Shares. The Company will not issue receipt for sums paid on application.

Subject to arrangement on despatch/collection of Share certificates and refund cheques as mentioned below, any refund cheques and Share certificate(s) are expected to be posted on or before Tuesday, March 30, 2021. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, March 31, 2021, provided that the Global Offering has become unconditional in all respects at or before that time and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised.

Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Collection

- ***If you apply through White Form eIPO service:***

- If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, March 30, 2021, or any other place or date notified by the Company.
- If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, March 30, 2021 by ordinary post and at your own risk.
- If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

- ***If you apply through CCASS EIPO service:***

Allocation of the Hong Kong Offer Shares

- For the purposes of allocating the 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 Tuesday, March 30, 2021 or on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in "—Publication of Results" above on Tuesday, March 30, 2021. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, March 30, 2021 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you can also check the

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number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that **broker** or **custodian**.

- If you have applied as a CCASS Investor Participant, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, March 30, 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the 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 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 Tuesday, March 30, 2021.

H. Admission of the Shares into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

The Company has made all necessary arrangements to enable the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-87, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BAIRONG INC., MORGAN STANLEY ASIA LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CMBC INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Bairong Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-87, which comprises the consolidated statements of financial position of the Group as at December 31, 2017, 2018, 2019 and September 30, 2020 and the statements of financial position of the Company as at December 31, 2018, 2019 and September 30, 2020, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended December 31, 2017, 2018, 2019 and the nine months ended September 30, 2020 (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-87 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated March 19, 2021 (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 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 preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants'

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 accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 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 purpose of the accountants' report, a true and fair view of the Group's financial position as at December 31, 2017, 2018, 2019 and September 30, 2020, and the Company's financial position as at December 31, 2018, 2019 and September 30, 2020, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended September 30, 2019 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 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 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 30(c) to the Historical Financial Information which contains information about the dividends 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 by the Company since its incorporation.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

March 19, 2021

I HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

Consolidated statements of profit or loss

Expressed in Renminbi ("RMB")

	Note	Year ended December 31,			Nine months ended September 30,	
		2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000 (unaudited)	2020 RMB'000
Revenue	4	354,005	858,491	1,261,942	922,338	764,233
Cost of sales		(110,341)	(232,834)	(290,150)	(206,073)	(204,444)
Gross profit		243,664	625,657	971,792	716,265	559,789
Other income	5	8,814	12,911	27,390	20,501	26,119
Research and development expenses		(138,992)	(176,172)	(216,414)	(153,855)	(150,871)
General and administrative expenses		(96,158)	(173,373)	(221,794)	(169,281)	(138,511)
Sales and marketing expenses		(83,103)	(325,439)	(567,821)	(415,457)	(311,223)
Impairment loss	6(c)	(25,122)	(3,440)	(4,420)	(3,863)	(555)
Loss from operations		(90,897)	(39,856)	(11,267)	(5,690)	(15,252)
Net finance costs	6(a)	(1,178)	(2,459)	(10,170)	(7,411)	(9,498)
Changes in fair value of financial assets measured at fair value through profit or loss	15	(668)	3,457	(8,600)	(9,835)	702
Changes in fair value of convertible loan	26	—	304	8,403	8,403	—
Changes in fair value of redeemable convertible preferred shares	27	(255,374)	(146,323)	(76,173)	(44,866)	(93,776)
Loss before taxation	6	(348,117)	(184,877)	(97,807)	(59,399)	(117,824)
Income tax (expense)/benefit	7	(5,360)	2,944	3,667	1,742	1,941
Loss for the year/period		(353,477)	(181,933)	(94,140)	(57,657)	(115,883)
Attributable to:						
Equity shareholders of the Company		(344,710)	(179,105)	(93,165)	(54,636)	(116,148)
Non-controlling interests		(8,767)	(2,828)	(975)	(3,021)	265
Loss for the year/period		(353,477)	(181,933)	(94,140)	(57,657)	(115,883)
Loss per share						
Basic and diluted (RMB)	10	(12.62)	(6.56)	(3.41)	(2.00)	(4.25)

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of profit or loss and other comprehensive income*Expressed in RMB*

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss for the year/period	(353,477)	(181,933)	(94,140)	(57,657)	(115,883)
Other comprehensive income for the year/period . . .	—	—	—	—	—
Total comprehensive income for the year/period . . .	<u>(353,477)</u>	<u>(181,933)</u>	<u>(94,140)</u>	<u>(57,657)</u>	<u>(115,883)</u>
Attributable to:					
Equity shareholders of the Company	(344,710)	(179,105)	(93,165)	(54,636)	(116,148)
Non-controlling interests	(8,767)	(2,828)	(975)	(3,021)	265
Total comprehensive income for the year/period . . .	<u>(353,477)</u>	<u>(181,933)</u>	<u>(94,140)</u>	<u>(57,657)</u>	<u>(115,883)</u>

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position

Expressed in RMB

	Note	As at December 31,			As at
		2017	2018	2019	September 30,
		RMB'000	RMB'000	RMB'000	2020
					RMB'000
Non-current assets					
Property, plant and equipment	11	16,003	17,336	40,681	38,385
Intangible assets	12	23,708	25,628	28,971	31,838
Right-of-use assets	13	29,800	32,940	167,903	136,286
Goodwill	14	34,054	34,054	34,054	34,054
Financial assets at fair value through profit or loss	15	3,542	10,442	3,542	3,542
Deferred tax assets	28	4,398	7,345	11,217	13,057
Restricted cash	20(b)	5,000	5,722	5,722	5,722
		116,505	133,467	292,090	262,884
Current assets					
Prepaid expenses and other current assets	19	45,458	56,325	77,634	52,208
Financial assets at fair value through profit or loss	15	36,120	547,354	545,695	706,279
Loans receivable	18	84,903	1,976	3,430	8,492
Trade receivables	17	78,502	152,307	195,994	159,859
Restricted cash	20(b)	6,463	—	—	—
Cash and cash equivalents	20(a)	88,440	212,354	150,917	44,010
		339,886	970,316	973,670	970,848
Current liabilities					
Trade payables	22	8,628	9,198	39,542	45,166
Bank loans	21	9,550	30,000	—	—
Convertible loan	26	—	99,696	—	—
Contract liabilities	24	44,887	53,859	34,059	40,051
Lease liabilities	25	20,266	21,362	49,629	36,965
Accrued expenses and other current liabilities	23	66,056	91,207	124,075	102,063
Redeemable convertible preferred shares	27	—	—	2,081,145	2,174,921
		149,387	305,322	2,328,450	2,399,166
Net current assets/(liabilities)		190,499	664,994	(1,354,780)	(1,428,318)
Total assets less current liabilities		307,004	798,461	(1,062,690)	(1,165,434)
Non-current liabilities					
Redeemable convertible preferred shares	27	1,282,256	1,913,679	—	—
Lease liabilities	25	8,699	9,295	116,014	99,150
Deferred tax liabilities	28	5,820	5,820	6,025	5,924
		1,296,775	1,928,794	122,039	105,074
NET LIABILITIES		(989,771)	(1,130,333)	(1,184,729)	(1,270,508)
Equity					
Share capital	30(a)	19	19	19	19
Treasury shares	29	—	—	—	—
Reserves	30(b)	(998,449)	(1,147,276)	(1,201,000)	(1,287,044)
Total equity attributable to equity shareholders of the Company		(998,430)	(1,147,257)	(1,200,981)	(1,287,025)
Non-controlling interests		8,659	16,924	16,252	16,517
TOTAL DEFICIT		(989,771)	(1,130,333)	(1,184,729)	(1,270,508)

The accompanying notes form part of the Historical Financial Information.

Statements of financial position of the Company

Expressed in RMB

	Note	As at December 31,		As at
		2018	2019	September 30,
		RMB'000	RMB'000	2020
				RMB'000
Non-current asset				
Investment in subsidiaries	16	—	109,992	140,096
Current assets				
Cash and cash equivalents		32	288	2,992
Prepaid expenses and other current assets		13	19	72,637
		45	307	75,629
Current liabilities				
Accrued expenses and other current liabilities		32	7,158	93,029
Redeemable convertible preferred shares	27	—	2,081,145	2,174,921
		32	2,088,303	2,267,950
Net current assets/(liabilities)		13	(2,087,996)	(2,192,321)
Total assets less current liabilities		13	(1,978,004)	(2,052,225)
NET ASSETS/(LIABILITIES)		13	(1,978,004)	(2,052,225)
Equity				
Share capital	30(a)	13	19	19
Reserves	30(b)	—	(1,978,023)	(2,052,244)
TOTAL EQUITY/(DEFICIT)		13	(1,978,004)	(2,052,225)

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity
Expressed in RMB

	Total equity attributable to equity shareholders of the Company										
	Ordinary shares		Treasury shares		Reserves		Total		Non-controlling interest		Total deficit
	Shares	Amount RMB'000	Shares	Amount RMB'000	Capital reserve RMB'000	Accumulated deficit RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at January 1, 2017	40,278,909	19	(12,963,556)	—	55,873	(723,916)	(668,024)	(274)	(668,298)	(668,298)	
Net loss	—	—	—	—	—	(344,710)	(344,710)	(8,767)	(353,477)	(353,477)	
Non-controlling interests from acquisition of subsidiaries	—	—	—	—	—	—	—	17,700	17,700	17,700	
Share-based compensation	—	—	—	—	14,913	—	14,913	—	14,913	14,913	
Others	—	—	—	—	(609)	—	(609)	—	(609)	(609)	
Balance as at December 31, 2017 and January 1, 2018	40,278,909	19	(12,963,556)	—	70,177	(1,068,626)	(998,430)	8,659	(989,771)	(989,771)	
Net loss	—	—	—	—	—	(179,105)	(179,105)	(2,828)	(181,933)	(181,933)	
Capital injection to a subsidiary by the non-controlling shareholders	—	—	—	—	3,034	—	3,034	4,719	7,753	7,753	
Acquisition of non-controlling interests of a subsidiary	—	—	—	—	—	(6,444)	(6,444)	6,444	—	—	
Share-based compensation	—	—	—	—	34,297	—	34,297	—	34,297	34,297	
Others	—	—	—	—	(609)	—	(609)	(70)	(679)	(679)	
Balance as at December 31, 2018	40,278,909	19	(12,963,556)	—	106,899	(1,254,175)	(1,147,257)	16,924	(1,130,333)	(1,130,333)	

Consolidated statements of changes in equity—continued

Expressed in RMB

	Total equity attributable to equity shareholders of the Company										
	Ordinary shares		Treasury shares			Reserves		Total		Non-controlling interest	Total deficit
	Shares	Amount RMB'000	Shares	Amount RMB'000	Capital reserve RMB'000	Accumulated deficit RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as of January 1, 2019	40,278,909	19	(12,963,556)	—	106,899	(1,254,175)	(1,147,257)	16,924	(1,130,333)		
Net loss	—	—	—	—	—	(93,165)	(93,165)	(975)	(94,140)		
Disposal of a subsidiary	—	—	—	—	—	—	—	303	303		
Share-based compensation	29	—	—	—	39,441	—	39,441	—	39,441		
Repurchase and cancellation of ordinary shares	30(a)	(9,963,556)	—	9,963,556	—	—	—	—	—		
Balance as of December 31, 2019 and January 1, 2020	30,315,353	19	(3,000,000)	—	146,340	(1,347,340)	(1,200,981)	16,252	(1,184,729)		
Net loss	—	—	—	—	—	(116,148)	(116,148)	265	(115,883)		
Share-based compensation	29	—	—	—	30,104	—	30,104	—	30,104		
Balance as of September 30, 2020	30,315,353	19	(3,000,000)	—	176,444	(1,463,488)	(1,287,025)	16,517	(1,270,508)		

Unaudited:

	Total equity attributable to equity shareholders of the Company										
	Ordinary shares		Treasury shares			Reserves		Total		Non-controlling interest	Total deficit
	Shares	Amount RMB'000	Shares	Amount RMB'000	Capital reserve RMB'000	Accumulated deficit RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as of January 1, 2019	40,278,909	19	(12,963,556)	—	106,899	(1,254,175)	(1,147,257)	16,924	(1,130,333)		
Net loss	—	—	—	—	—	(54,636)	(54,636)	(3,021)	(57,657)		
Share-based compensation	29	—	—	—	32,054	—	32,054	—	32,054		
Repurchase and cancellation of ordinary shares	30(a)	(9,963,556)	—	9,963,556	—	—	—	—	—		
Balance at September 30, 2019	30,315,353	19	(3,000,000)	—	138,953	(1,308,811)	(1,169,839)	13,903	(1,155,936)		

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of cash flows*Expressed in RMB*

	Note	Year ended December 31,			Nine months ended September 30,	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities						
Net loss		(353,477)	(181,933)	(94,140)	(57,657)	(115,883)
<i>Adjustments for:</i>						
Depreciation of property, plant and equipment	11	4,576	8,507	15,972	10,344	12,582
Amortisation of intangible assets	12	51	155	436	241	832
Depreciation of right-of-use assets	13	15,434	30,299	51,398	37,007	41,799
Impairment loss		25,122	3,440	4,420	3,863	555
Finance costs	6(a)	2,625	3,930	11,257	8,253	8,936
Changes in fair value of financial assets measured at fair value through profit or loss	15	668	(3,457)	8,600	9,835	(702)
Changes in fair value of convertible loan	26	—	(304)	(8,403)	(8,403)	—
Changes in fair value of redeemable convertible preferred shares	27	255,374	146,323	76,173	44,866	93,776
Share-based compensation	29	14,913	34,297	39,441	32,054	30,104
Deferred tax expenses/(benefit)	7	5,219	(2,947)	(3,667)	(1,742)	(1,941)
Investment income		(8,247)	(11,326)	(18,595)	(16,008)	(17,519)
Foreign exchange loss		—	—	—	—	701
Operating (loss)/profit before changes in working capital		(37,742)	26,984	82,892	62,653	53,240
Changes in working capital						
(Increase)/decrease in trade receivables	17	(59,669)	(80,057)	(47,748)	(117,120)	35,814
(Increase)/decrease in loans receivable	18	(102,818)	82,866	(1,813)	(1,310)	(5,273)
(Increase)/decrease in amounts due from related parties	34	(607)	15,112	—	—	—
(Increase)/decrease in prepaid expenses and other current assets	19	(4,212)	(25,979)	(21,309)	(24,071)	25,426
(Decrease)/increase in amounts due to related parties	34	(1,190)	—	—	—	—
Increase in trade payables	22	3,333	570	30,344	45,346	5,624
Increase/(decrease) in contract liabilities	24	18,406	8,972	(19,800)	722	5,992
Increase/(decrease) in accrued expenses and other liabilities	23	39,754	27,189	40,420	24,983	(21,885)
Net cash (used in)/generated from operating activities		(144,745)	55,657	62,986	(8,797)	98,938

Consolidated statements of cash flows—continued

Expressed in RMB

	Note	Year ended December 31,			Nine months ended September 30,	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Investing activities						
Purchase of property, plant and equipment	11	(7,974)	(10,543)	(39,666)	(24,051)	(10,436)
Purchase of intangible assets	12	—	(2,075)	(3,779)	(3,108)	(3,699)
Purchase of investments		(296,217)	(3,208,690)	(7,568,317)	(5,570,500)	(5,476,490)
Proceeds from sale of investments		441,523	2,712,239	7,579,971	5,908,000	5,334,127
Purchase of investment in associates		—	(300)	—	—	—
Payments to acquire a subsidiary, net of cash acquired	33	(38,460)	—	—	—	—
Net cash generated from/(used in) investing activities		98,872	(509,369)	(31,791)	310,341	(156,498)
Financing activities						
Issuance of redeemable convertible preferred shares	20(c)	—	485,100	—	—	—
Issuance of convertible loan	20(c)	—	100,000	—	—	—
Proceeds from bank loans	20(c)	9,550	30,000	—	—	—
Repayment of bank loans	20(c)	(15,000)	(9,550)	(30,000)	(30,000)	—
Capital injection to a subsidiary by the non-controlling shareholders		—	7,753	—	—	—
Interest paid	20(c)	(849)	(1,206)	(710)	(710)	—
Payment of lease liabilities	20(c)	(16,719)	(34,471)	(61,922)	(45,459)	(48,646)
Net cash (used in)/generated from financing activities		(23,018)	577,626	(92,632)	(76,169)	(48,646)
Net (decrease)/increase in cash and cash equivalents		(68,891)	123,914	(61,437)	225,375	(106,206)
Cash and cash equivalents at the beginning of the year/period		157,331	88,440	212,354	212,354	150,917
Effect of foreign exchange rate changes		—	—	—	—	(701)
Cash and cash equivalents at the end of the year/period		88,440	212,354	150,917	437,729	44,010

The accompanying notes form part of the Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

Expressed in RMB unless otherwise indicated

1 Basis of preparation and presentation of Historical Financial Information

Bairong Inc. (the “Company”), was incorporated on June 21, 2018 in the Cayman Islands as an exempted company with limited liability under the Companies Act, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, Bairong Yunchuang Technology Co., Ltd. (“Beijing Bairong”) and Beijing Bairong’s subsidiaries (collectively referred to as the “Group”), operates a leading independent AI-powered technology platform in China serving the financial services industry and is principally engaged in data analytics services, precision marketing services and insurance distribution services (the “Listing Business”). The Group’s operations and geographic markets are in the People’s Republic of China (the “PRC”).

As of September 30, 2020, the Company’s principal subsidiaries are as follows:

<u>Company names</u>	<u>Place and date of incorporation</u>	<u>Registered Capital</u>	<u>Held by the Company</u>	<u>Held by the Subsidiary</u>	<u>Name of statutory auditor</u>
Directly held					
Bairong HK Limited (百融香港科技有限公司)	Hong Kong July 18, 2018	HKD 10,000	100%	—	N/A
Baoshu Tech Limited (保數香港科技有限公司)	Hong Kong July 25, 2018	HKD 10,000	100%	—	N/A
Banyan HK Limited (榕樹香港科技有限公司)	Hong Kong July 18, 2018	HKD 10,000	100%	—	N/A
Indirectly held					
Tianjin Bairong Technology Co., Ltd. (天津百融科技有限公司)*	Tianjin, PRC August 14, 2018	RMB 100,000,000	—	100%	N/A
Tianjin Baoshu Technology Co., Ltd. (天津保數科技有限公司)*	Tianjin, PRC August 15, 2018	RMB 100,000,000	—	100%	N/A
Tianjin Rongshu Technology Co., Ltd. (天津榕樹科技有限公司)*	Tianjin, PRC August 14, 2018	RMB 100,000,000	—	100%	N/A
GeniAI Tech Ltd. (“ESOP entity”) (note 1)	British Virgin Islands October 19, 2018	USD1	100%	—	N/A
Held through Contractual Arrangements					
Bairong Yunchuang Technology Co., Ltd. (“Beijing Bairong”) (百融雲創科技股份有限公司)*	Beijing, PRC March 19, 2014	RMB 82,814,387	—	100%	Beijing Shuangdou Accounting Firm (General Partnership) 北京雙門會計師事務所 (普通合夥) * for the years ended December 31, 2017 and 2018; Beijing Songshi Accounting Firm (General Partnership) 北京頌石會計師事務所 (普通合夥) * for the year ended December 31, 2019

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

1 Basis of preparation and presentation of Historical Financial Information—continued

Company names	Place and date of incorporation	Registered Capital	Held by the Company	Held by the Subsidiary	Name of statutory auditor
Bairong Zhixin (Beijing) Credit Information Co., Ltd. (百融至信(北京)徵信有限公司)*	Beijing, PRC February 3, 2015	RMB 50,000,000	—	100%	N/A for the year ended December 31, 2017 ; Beijing Shuangdou Accounting Firm (General Partnership) 北京雙門會計師事務所 (普通合夥) * for the year ended December 31, 2018; Beijing Songshi Accounting Firm (General Partnership) 北京頌石會計師事務所 (普通合夥) * for the year ended December 31, 2019
Beijing Rongda Tianxia Information Technology Co., Ltd. (北京榮達天下信息科技有限公司)*	Beijing, PRC October 15, 2014	RMB 1,000,000	—	100%	N/A
Guangzhou Shurong Internet Micro-lending Co., Ltd. (“Guangzhou Shurong”)(廣州數融互聯網小額貸款有限公司)*	Guangzhou, PRC February 14, 2017	RMB 100,000,000	—	100%	Guangdong Yuexin Accountant Firm Co., Ltd. 廣東粵信會計師事務所有限公司* for the years ended December 31, 2017, 2018 and 2019
Liming Insurance Brokerage Co., Ltd. (“Liming”)(黎明保險經紀有限公司)*	Beijing, PRC April 21, 2014	RMB 55,555,500	—	63%	Zhongtian Hengxin (Beijing) International Certified Public Accountants Co., Ltd. 中天恒信(北京)國際會計師事務所有限公司* for the year ended December 31, 2017; Beijing Zhongrui Taida Accounting Firm Co., Ltd. 北京中瑞泰達會計師事務所有限責任公司* for the years ended December 31, 2018 and 2019.
Bairong (Guiyang) Financial Information Services Co., Ltd. (百融(貴陽)金融信息服務有限公司)*	Beijing, PRC February 20, 2017	RMB 10,000,000	—	100%	N/A
Shanghai Baozhu Information Technology Co., Ltd. (上海保築信息科技有限公司)*	Shanghai, PRC July 22, 2016	RMB 5,000,000	—	100%	N/A
Shenzhen Shuqu Information Technology Co., Ltd. (深圳數趣信息科技有限公司)*	Beijing, PRC May 30, 2016	RMB 5,000,000	—	100%	N/A

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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1 Basis of preparation and presentation of Historical Financial Information—continued

Company names	Place and date of incorporation	Registered Capital	Held by the Company	Held by the Subsidiary	Name of statutory auditor
Shandong Riyue Insurance Box Information Technology Co., Ltd. (山東日月保盒信息科技有限公 司)*	Beijing, PRC February 2, 2018	RMB 5,000,000	—	100%	N/A
Bairong Zhixiang (Shenzhen) Technology Co., Ltd. (百融智享(深圳)科技有限公 司)*	Hunan, PRC July 16, 2014	RMB 10,000,000	—	100%	N/A
Tianjin Bairong Tongchuang Enterprise Management Consulting Center (L.P.) (天津百榮同創企業管理諮詢中心(有限合夥))* (note 1)	Tianjin, PRC August 5, 2014	RMB 300,000	—	100%	N/A
Tianjin Saiji Technology Co., Ltd. (天津賽吉科技有限責任公 司)*(note 1)	Tianjin, PRC January 21, 2019	RMB 100,000,000	—	100%	N/A

* The English translation of the names is for reference only. The official names of these entities are in Chinese.

Note 1: GeniAI Tech Ltd. and Tianjin Bairong Tongchuang Enterprise Management Consulting Center (L.P.) were incorporated as a vehicle to hold the ordinary shares of the Company or Beijing Bairong, separately, under the share-based compensation plan. Tianjin Saiji Technology Co., Ltd. was incorporated for reorganisation purpose and designed to repurchase ordinary shares and preferred shares from shareholders of Beijing Bairong. As the Group or Beijing Bairong has power to govern the relevant activities of GeniAI Tech Ltd., Tianjin Bairong Tongchuang Enterprise Management Consulting Center (L.P.) and Tianjin Saiji Technology Co., Ltd. and can derive benefits from the operating of these entities, the directors of the Company consider that it is appropriate to consolidate these entities.

All companies now comprising the Group have adopted December 31 as their financial year end date.

As of the date of this report, no audited financial statements have been prepared for the Company, Bairong HK Limited, Baoshu Tech Limited, Banyan HK Limited, Tianjin Bairong Technology Co., Ltd., Tianjin Baoshu Technology Co., Ltd., Tianjin Rongshu Technology Co., Ltd., ESOP entity, Beijing Rongda Tianxia Information Technology Co., Ltd., Bairong (Guiyang) Financial Information Services Co., Ltd., Shanghai Baozhu Information Technology Co., Ltd., Shenzhen Shuqu Information Technology Co., Ltd., Shandong Riyue Insurance Box Information Technology Co., Ltd., Bairong Zhixiang (Shenzhen) Technology Co., Ltd., Tianjin Bairong Tongchuang Enterprise Management Consulting Center (L.P.), and Tianjin Saiji Technology Co., Ltd..

The consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for each of the years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2020 (the "Track Record Period") as set out in this report include the financial performance and cash flows of the companies now comprising the Group (or where the companies were incorporated / established at a date later than January 1, 2017, for the period from the date of incorporation / establishment to September 30, 2020) as if the current group structure had been in existence and remained unchanged throughout the Track Record Period. The consolidated statements of financial position of the Group as at December 31, 2017, 2018 and 2019 and September 30, 2020 as set out in this report have been prepared to present the financial position of the

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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1 Basis of preparation and presentation of Historical Financial Information—continued

companies now comprising the Group as of those dates as if the current group structure had been in existence as of the respective dates, taking into account the respective dates of incorporation establishment, where applicable.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (“IASB”). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has consistently applied all applicable new and revised IFRSs, including IFRS 9, *Financial Instruments*, IFRS 15, *Revenue from Contracts with Customers*, and IFRS 16 *Leases*, throughout the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2020 and not adopted in the Historical Financial Information are set out in Note 35.

The Historical Financial Information has been prepared under the going concern basis notwithstanding the fact that during the Track Record Period, total liabilities exceeds the total assets by approximately RMB989.77 million, RMB1,130.33 million, RMB1,184.73 million and RMB1,270.51 million as at December 31, 2017, 2018 and 2019 and September 30, 2020, respectively, and total current liabilities exceed the total current assets by approximately RMB1,354.78 million and RMB1,428.32 million as at December 31, 2019 and September 30, 2020, respectively.

As of December 31, 2017, 2018 and 2019 and September 30, 2020, the Group recorded a financial liability representing the fair value of convertible loans (which was converted into preferred shares on June 27, 2019) and redeemable convertible preferred shares amounting to RMB1,282.26 million, RMB2,013.38 million, RMB2,081.15 million and RMB2,174.92 million. The Directors and management of the Company have considered that the preferred rights and the redemption features of these redeemable convertible preferred shares would be terminated upon listing and the preferred shares will be converted into equity, leading to a significant improvement to the net liabilities position. Had the preferred shares been converted into equity, the Company’s net asset position would have been RMB904.4 million as at September 30, 2020. In addition, as disclosed in Note 27, subsequent to September 30, 2020, the Company has secured an extension of the no-IPO redemption date of the redeemable convertible preferred shares, and the holders of the redeemable convertible preferred shares have agreed to extend the no-IPO redemption date to July 1, 2022. Accordingly, the directors and management of the Company are of the opinion that the Company will continue in operation and be able to settle its liabilities for the foreseeable future, and therefore it is appropriate for the Historical Financial Information to be prepared on a going concern basis.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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1 Basis of preparation and presentation of Historical Financial Information—continued

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

Reorganisation

The Group's history began in March 2014 with the commencement of operation of Beijing Bairong incorporated in the PRC. In addition to the shares held by the co-founders, Beijing Bairong issued ordinary shares to third party investors after its incorporation. From November 2014 to February 2018, Beijing Bairong issued Series A, A+, B, B+, C redeemable convertible preferred shares to third party investors.

The Company was incorporated in the Cayman Islands in June 2018 with an authorised share capital of USD 50,000 divided into 500,000,000 shares with a par value of USD 0.0001 each. Upon incorporation, the Company issued 18,776,522 ordinary shares to the co-founders.

Prior to the incorporation of the Company and the completion of the reorganisation as described below, the Listing Business was carried out by Beijing Bairong and its subsidiaries. To rationalise the corporate structure in preparing for the initial public offering of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group entered into a series of reorganisation transactions ("the Reorganisation") to establish the Company as the ultimate holding company of the companies now comprising the Group, as detailed in the section headed "History, reorganisation, and corporate structure" in the Prospectus.

The Reorganisation only involved interspersing entities with no substantive business operations as the new holding companies of Beijing Bairong and its subsidiaries. The original ordinary and preferred shareholders of Beijing Bairong have substantially identical respective rights over and substantially the same absolute and relative interests in the net assets of Listing Business immediately before and after the Reorganisation. As there were no changes in the economic substance of the Listing Business before and after the Reorganisation, the consolidated financial information of the Group has been presented as a continuation of the consolidated financial statements of Beijing Bairong and its subsidiaries, with assets and liabilities recognised and measured on at their historical carrying amounts prior to the Reorganisation, and with the preferred shares and ordinary shares of the Company treated as a continuation of the shares of Beijing Bairong.

As the Listing Business conducted by Beijing Bairong is subject to foreign investment restrictions under the relevant PRC laws and regulations, as part of the Reorganisation, Tianjin Bairong Technology Co., Ltd. ("WFOE"), an indirectly wholly-owned subsidiary of the Company, entered into a series of contractual arrangements (the "Contractual Arrangements") with Beijing Bairong and its registered shareholders to operate the Listing Business.

The equity interests of Beijing Bairong are legally held by individuals and companies who act as registered shareholders of Beijing Bairong on behalf of the WFOE. The contractual agreements include a Shareholder Voting Rights Proxy Agreement, an Exclusive Purchase Option Agreement, an Exclusive Consulting and Services Agreement, an Equity Pledge Agreement and Spousal Consents (collectively, the "VIE Agreements"). Pursuant to the Contractual Agreements, the WFOE has the power to direct activities that most significantly impact the Beijing Bairong and the its subsidiaries,

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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1 Basis of preparation and presentation of Historical Financial Information—continued**Reorganisation—continued**

including appointing key management, setting financial and operating policies, exerting financial controls and transferring profits or assets out of Beijing Bairong and its subsidiaries at its discretion. The WFOE considers that it also has the right to substantially all of the economic benefits of Beijing Bairong and has an exclusive option to purchase all or part of the equity interests in Beijing Bairong when and to the extent permitted by the PRC laws and regulations at the minimum price possible.

2 Significant accounting policies**(a) Basis of measurement**

The Historical Financial Information is presented in RMB, rounded to the nearest thousands, except for earnings per share information.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis, except for certain financial assets and liabilities measured at fair value as explained in Notes 2 (f), (q) and (r).

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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2 Significant accounting policies—continued**(c) Subsidiaries and non-controlling interests—continued**

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(o), (p), (q) or (r) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, an investment in a consolidated structured entity is stated at cost less impairment losses (see Note 2(j)(ii)), unless the investment is classified as held for sale.

(d) Associates

An associate is an entity in which the Group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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2 Significant accounting policies—continued**(d) Associates—continued**

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(j)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)).

(e) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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2 Significant accounting policies—continued**(e) Goodwill—continued**

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(j)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are set out below:

Investments in debt and equity securities are recognised / derecognised on the date the Group commits to purchase / sell the investments. Investments in debt and equity securities are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 31(e). These investments are subsequently accounted for as follows, depending on their classification:

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued*Expressed in RMB unless otherwise indicated***2 Significant accounting policies—continued****(f) Other investments in debt and equity securities—continued**

election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(v)(v).

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(j)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives are as follows:

—Right-of-use assets	Over the lease term
—Office and other equipment	3-5 years
—Electronic equipment	3-5 years
—Leasehold improvements	the shorter of the unexpired term of lease and estimated useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(j)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated useful life is as follows:

—Software	5 to 10 years
—Insurance brokerage licence	Indefinite useful life

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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2 Significant accounting policies—continued**(h) Intangible assets—continued**

The estimates and associated assumptions of useful life determined by the Group are based on technical and commercial obsolescence, legal or contractual limits on the use of the asset and other relevant factors. Based on the current functionalities equipped by the softwares and the daily operation needs, the Group considers a useful life of 5-10 years to be their best estimation.

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

Research expenditures are recognised as an expenses as incurred. Costs incurred on development projects are capitalised as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalised as intangible assets as of December 31, 2017, 2018 and 2019 and September 30, 2019 and 2020.

(i) Lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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2 Significant accounting policies—continued**(i) Lease—continued**

rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(g) and 2(j)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities separately in the statement of financial position.

(j) Credit losses and impairment of assets**(i) Credit losses from financial instruments**

The Group recognises a loss allowance for expected credit loss (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables).

Other financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;

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2 Significant accounting policies—continued**(j) Credit losses and impairment of assets—continued****(i) Credit losses from financial instruments—continued**

Measurement of ECLs—continued

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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2 Significant accounting policies—continued**(j) Credit losses and impairment of assets—continued****(i) Credit losses from financial instruments—continued**

Significant increases in credit risk—continued

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(v)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less allowance for impairment losses) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

2 Significant accounting policies—continued**(j) Credit losses and impairment of assets—continued****(i) Credit losses from financial instruments—continued**

Write-off policy—continued

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- right-of-use assets;
- goodwill;
- other non-current assets; and
- investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

2 Significant accounting policies—continued**(j) Credit losses and impairment of assets—continued****(ii) Impairment of other non-current assets—continued****● Reversals of impairment losses**

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Other contract cost

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are expensed when incurred as almost all the incremental costs of the Group are expected to be amortised within one year. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Costs of fulfilling a contract are expensed using a method which is consistent with the pattern of recognition of the respective revenue.

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(v)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(m)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(v)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(m)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

2 Significant accounting policies—continued***(l) Contract assets and contract liabilities—continued***

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(v)).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(l)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 2(j)(i).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(x)).

(q) Redeemable convertible preferred shares

The Company issued certain series of instruments to investors. The instrument holders have the right to require the Group to redeem all of the instruments held by the instrument holders at guaranteed predetermined fixed amount at certain redemption events, which are out of the control of the Group. Upon the completion of the IPO, all the redeemable convertible preferred shares will be automatically converted into our fully paid and non-assessable ordinary shares.

Pursuant to IFRS 9, the instrument issued to investors are accounted for in their entirety as financial liabilities at fair value through profit or loss, with fair value changes reflected in change in fair value of

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

2 Significant accounting policies—continued**(q) Redeemable convertible preferred shares—continued**

redeemable convertible preferred shares within the consolidated statement of profit or loss and other comprehensive income, except for the portion attributable to credit risk change that should be charged to other comprehensive income. Accordingly, the embedded conversion features do not require future evaluation, bifurcation, and separate accounting as embedded derivatives as the change in fair value of embedded features are reflected in the change in fair value in the compound instrument under such whole instrument approach. Issue costs that are directly attributable to the issue of the instruments, designated as financial liabilities at fair value through profit or loss, are recognised immediately in the consolidated statement of profit or loss and other comprehensive income. The instrument are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting period.

(r) Convertible loan

Convertible loan issued by the Group were converted into preferred shares upon the consummation of the Reorganisation as detailed in Note 26. The Group designated the convertible loan as financial liabilities at fair value through profit or loss. These financial liabilities are initially recognised at fair value. Any directly attributable transaction costs are recognised in profit or loss as incurred. The convertible loan is subsequently remeasured in accordance with Note 2(f).

(s) Employee benefits**(i) Short-term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payment

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial option-pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

2 Significant accounting policies—continued**(s) Employee benefits—continued***(ii) Share-based payment—continued*

recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital and share premium for the shares issued) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the end of the Track Record Period, then they are discounted to their present value.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax assets can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credit, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

2 Significant accounting policies—continued**(t) Income tax—continued**

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company and the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

2 Significant accounting policies—continued**(u) Provisions and contingent liabilities—continued**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Data analytics services**(i) Information services:**

Our revenue for data analytics services are derived from the provision of information services to our customers on a transactional basis, in which distinct services are delivered over time as the customer simultaneously receives and consumes the benefits of the services delivered. To measure our performance over time, the output method is utilised to measure the value to the customer based on the transfer to date of the services promised, with no rights of return once consumed. In these cases, revenue on usage-based subscription contracts with a defined price but an undefined quantity is recognised utilising the right to invoice expedient resulting in revenue being recognised when the service is provided and billed. Additionally, contracts with a defined price but an undefined quantity that utilise tier pricing would be defined as a series of distinct performance obligations satisfied over time utilising the same method of measurement, the output method, with no rights of return once consumed. This measurement method is applied on a monthly basis resulting in revenue being recognised when the service is provided and billed.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

2 Significant accounting policies—continued**(v) Revenue recognition—continued****(i) Data analytics services—continued**

A small portion of our revenue is generated from annual subscription contracts under which a customer pays a preset fee for a predetermined or unlimited number of transactions or services provided during the subscription period, which is generally one year. Revenue from the subscription packages having a preset number of transactions is recognised as the services are provided, using an effective transaction rate as the actual transactions are delivered. Any remaining revenue related to unfulfilled units is not recognised until the end of the related contracts' subscription period. Revenue from the subscription packages having an unlimited volume is recognised ratably during the contract term.

(ii) Localised solutions and projects:

Localised solutions and projects provide customised enhancement or upgrades to our customers' risk management and underwriting systems. Revenue from these services is satisfied overtime as the Group provides services on customers' sites which creates an asset that the customers control as the Group performs their service. The Group currently measures the stage of completion using the output method by reference to the completion status reports acknowledged by the customers. Under the output method, the Group recognises revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

(ii) Precision marketing services**(i) Loans:**

The Group provides recommendation services in respect of loan products offered by financial service providers on its platform, and assists the financial service providers or their loan sales representatives to identify qualified individual users or borrowers. The Group considers the financial service providers, including banks, micro-loan companies, consumer finance companies and other financial service providers to be their customers, and receives service fees from the customers primarily based on the number of applications of qualified borrowers. The price for each recommendation charged to the financial service providers is a fixed price or a percentage of loans approved as pre-agreed in the service contract, or pre-set in the bidding systems by the customers. Therefore, while loan size impacts our fees when the price for the recommendation charged to the FSPs is a percentage of the amount of loans approved by our customers, the loan duration does not impact our fees. Revenue is recognised when all of the revenue recognition criteria are met, which is generally when the identified borrowers submit a loan application to the customers or when the loan application is approved by our customers.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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2 Significant accounting policies—continued**(v) Revenue recognition—continued****(ii) Precision marketing services—continued****(ii) Credit card:**

The Group provides recommendation services in respect of credit card products offered by credit card issuers on its platform. The individual users can select and apply for the credit cards, and submit applications to credit card issuers. The Group is not involved in the credit card approval or issuance process. Service fee is charged to the customers, i.e., the credit card issuers, upon one of the following circumstances: (i) completion of an application; (ii) issuance of a credit card to the users; or (iii) first usage of a credit card by the users, depending on the terms of the specific contracts with the customers. Revenue is recognised when all of the revenue recognition criteria are met, which is generally upon the completion of an application (or the issuance or first usage, depending on the terms of the specific contracts with the customers).

(iii) Insurance distribution services

The primary source of revenue is commissions from insurance distribution services, determined based on a percentage of premiums paid by the policy holder. The brokerage fee rate is based on the terms specified in the service contract with the insurance company for each product sold through the Group. The Group determined that the insurance company, or the insurer, is its customer in this agreement. Insurance distribution services revenue is recognised when the signed insurance policy is in place and the Group has a present right to payment from the insurer since the Group has fulfilled its performance obligation to sell an insurance policy on behalf of the insurance company.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(j)(i)).

(v) Dividends

Dividends income from equity investments is recognised when the investor's right to receive payment is established.

(vi) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

2 Significant accounting policies—continued**(v) Revenue recognition—continued****(vi) Government grants—continued**

incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the assets and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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2 Significant accounting policies—continued**(y) Related parties**

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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2 Significant accounting policies—continued**(z) Segment reporting—continued**

For the purpose of internal reporting and management's operation review, the Group's Chief Executive Officer and management personnel do not segregate the Group's business by service lines. All service categories are viewed as one and the only operating segment.

3 Accounting judgement and estimates

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(a) Fair value of share-based compensation payments

As mentioned in Note 29, the Group has granted shares options to its employees. The Group has used binomial option-pricing model to determine the total fair value of the options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the Group in applying the binomial option-pricing model.

(b) Fair value of financial instruments with preferred rights

As disclosed in Note 27, the fair value of financial instruments with preferred rights at the dates of issue and balance sheet dates were determined based on the valuation performed by an independent valuer, using valuation techniques. The Group uses its judgements to select a variety of methods and make assumptions that are mainly based on market conditions existing at the respective valuation dates. The Group has used discounted cash flow to determine the business value of the Group, followed by option pricing models to determine the fair value of financial instruments with preferred rights, which involved the use of significant accounting estimates and judgements.

(c) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(d) Impairment of trade receivables

The Group estimates the amount of loss allowance for ECLs on trade and other receivables that are measured at amortised cost on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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3 Accounting judgement and estimates—continued

(d) Impairment of trade receivables—continued

The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(e) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 14.

4 Revenue

The principal activities of the Group are providing data analytics services, precision marketing services and insurance distribution services in the PRC.

The amount of each significant category of revenue is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Data analytics services	314,524	406,343	522,654	389,074	356,239
Precision marketing services	17,890	271,113	404,786	309,185	169,678
Insurance distribution services	6,095	164,002	332,236	222,235	237,466
Other services	15,496	17,033	2,266	1,844	850
	<u>354,005</u>	<u>858,491</u>	<u>1,261,942</u>	<u>922,338</u>	<u>764,233</u>

During the Track Record Period, no customer individually accounted for more than 10% of the Group's total revenue.

Disaggregation of the Group's revenue from contracts with customers by the timing of revenue recognition is set out below:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Point-in-time	23,985	435,115	737,022	531,420	407,144
Over-time	330,020	423,376	524,920	390,918	357,089
	<u>354,005</u>	<u>858,491</u>	<u>1,261,942</u>	<u>922,338</u>	<u>764,233</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

4 Revenue—continued

Remaining Performance Obligation

The Group has elected the practical expedient not to disclose the information about remaining performance obligations which are part of contracts that have an original expected duration of one year or less and do not disclose the value of remaining performance obligations for contracts in which the Group recognises revenue at the amount to which the Group has the right to invoice.

All of the Group's operating assets are located in the PRC and all of the Company's revenue and operating profits are derived from the PRC during the Track Record Period. Accordingly, no segment analysis based on geographical locations is provided.

5 Other income

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Investment income from wealth management products . .	5,707	5,449	18,529	16,008	9,871
Investment income from trust plans	2,540	5,877	66	—	7,648
Government grants and others	567	1,585	4,860	2,119	5,708
Extra deduction of input VAT	—	—	3,935	2,374	2,892
	<u>8,814</u>	<u>12,911</u>	<u>27,390</u>	<u>20,501</u>	<u>26,119</u>

6 Loss before taxation

Loss before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest expense on bank loans	849	1,206	710	710	—
Interest expense on lease liabilities	1,776	2,724	10,547	7,543	8,936
Interest income from bank deposits	(1,447)	(1,471)	(1,087)	(842)	(139)
Foreign currency exchange loss	—	—	—	—	701
Subtotal	<u>1,178</u>	<u>2,459</u>	<u>10,170</u>	<u>7,411</u>	<u>9,498</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

6 Loss before taxation—continued

(b) Staff cost

	Note	Year ended December 31,			Nine months ended September 30,	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, wages and other benefits		128,457	229,067	306,246	227,958	244,470
Contributions to defined contribution retirement plan (i)		10,699	19,845	22,841	18,552	3,178
Equity-settled share-based compensation expenses	29	14,913	34,297	39,441	32,054	30,104
Termination benefits		339	995	2,489	2,112	3,428
Subtotal		154,408	284,204	371,017	280,676	281,180

Note:

- (i) Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

(c) Other items

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Data service costs	69,636	81,717	73,446	53,928	62,264
Distribution and marketing expenditures	55,885	255,383	384,466	287,011	154,397
Insurance brokerage commission costs	3,320	99,039	180,767	127,568	115,527
Depreciation of property, plant and equipment	4,576	8,507	15,972	10,344	12,582
Amortisation of intangible assets	51	155	436	241	832
Depreciation of right-of-use assets	15,434	30,299	51,398	37,007	41,799
Impairment losses					
—Trade receivables	584	3,079	4,061	3,515	321
—Loans	18,124	61	359	348	234
—Investment in associates	6,414	300	—	—	—
Auditors' remuneration	157	275	221	—	—
Listing expenses	—	—	—	—	12,430

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

7 Income tax in the consolidated statements of profit or loss

(a) Taxation in the consolidated statements of profit or loss:

	Note	Year ended December 31,			Nine months ended September 30,	
		2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000 (unaudited)	2020 RMB'000
Current tax						
—PRC Enterprise Income Tax (“EIT”) Provision for the year/period		141	3	—	—	—
Deferred tax						
—Reversal/(Origination) of temporary differences	28	<u>5,219</u>	<u>(2,947)</u>	<u>(3,667)</u>	<u>(1,742)</u>	<u>(1,941)</u>
		<u>5,360</u>	<u>(2,944)</u>	<u>(3,667)</u>	<u>(1,742)</u>	<u>(1,941)</u>

(b) Reconciliation between tax expense/(benefit) and accounting loss at applicable tax rates:

	Year ended December 31,			Nine months ended September 30,	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000 (unaudited)	2020 RMB'000
Loss before taxation	(348,117)	(184,877)	(97,807)	(59,399)	(117,824)
Notional tax on loss before taxation, calculated at the rates applicable in the jurisdictions concerned	(87,029)	(46,219)	(24,452)	(14,850)	(29,456)
Tax effect of preferential tax rate	23,310	16,872	2,225	91	3,627
Super-deduction of research and development expense	(3,228)	(9,109)	(11,919)	(10,339)	(6,941)
Tax effect of non-deductible expenses	9,698	8,545	10,342	10,429	5,456
Fair value changes in redeemable convertible preferred shares and convertible loans not deductible for tax purpose	38,306	21,903	16,942	9,117	23,444
Tax effect of tax losses and temporary differences not recognised	24,303	5,064	3,195	3,810	1,929
Actual income tax expense/(benefit)	<u>5,360</u>	<u>(2,944)</u>	<u>(3,667)</u>	<u>(1,742)</u>	<u>(1,941)</u>

Notes:

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on either income or capital gain, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

The Company's Hong Kong subsidiaries, incorporated in July 2018, are subject to a profits tax rate of 8.25% for the first HKD2,000,000 of assessable profit and 16.5% for profit exceeding HKD2,000,000. No provision for Hong Kong profits tax was made as the Group had no estimated assessable profit that

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued*Expressed in RMB unless otherwise indicated***7 Income tax in the consolidated statements of profit or loss—continued***(b) Reconciliation between tax expense/(benefit) and accounting loss at applicable tax rates—continued:***Hong Kong—continued**

was subject to Hong Kong profits tax for the years ended December 31, 2018 and 2019 and nine months ended September 30, 2020.

PRC

Except for Beijing Bairong who enjoys a preferential income tax rate, all the other subsidiaries established in the PRC are subject to an income tax rate of 25%, according to the PRC Enterprise Income Tax Law (the “EIT Law”) in the years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2020.

A “high and new technology enterprise” (“HNTE”) is entitled to a favourable statutory tax rate of 15% and such qualification is reassessed by relevant governmental authorities every three years. In December 2016, Beijing Bairong was qualified as a “high and new technology enterprise” and therefore enjoyed the preferential statutory tax rate of 15% for the years ended December 31, 2017, 2018 and 2019. In December 2019, Beijing Bairong received approval from the tax authority on the renewal of its HNTE status which entitled it to the preferential income tax rate of 15% effective retroactively from January 1, 2020 to December 31, 2022.

8 Directors' emoluments

Directors' emoluments during the Track Record Period is as follows:

	Year ended December 31, 2017						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments (i)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Zhang Shaofeng	—	376	108	9	493	—	493
Zhao Hongqiang	—	210	108	—	318	—	318
Non-executive directors							
Bai Linsen	—	300	—	—	300	—	300
	—	886	216	9	1,111	—	1,111
	—	—	—	—	—	—	—

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

8 Directors' emoluments—continued

	Year ended December 31, 2018						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments (i)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Zhang Shaofeng	—	861	144	55	1,060	—	1,060
Zhao Hongqiang	—	372	144	—	516	556	1,072
Zhao Jing	—	246	64	19	329	17	346
Non-executive directors							
Bai Linsen	—	300	—	—	300	—	300
Ren Xuefeng	—	—	—	—	—	—	—
Li Qiang	—	—	—	—	—	—	—
	—	<u>1,779</u>	<u>352</u>	<u>74</u>	<u>2,205</u>	<u>573</u>	<u>2,778</u>
	Year ended December 31, 2019						
Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments (i)	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Executive directors							
Zhang Shaofeng	—	869	36	50	955	—	955
Zhao Hongqiang	—	642	36	—	678	956	1,634
Zhao Jing	—	725	193	50	968	229	1,197
Non-executive directors							
Bai Linsen	—	—	—	—	—	—	—
Ren Xuefeng	—	—	—	—	—	—	—
Li Qiang	—	—	—	—	—	—	—
	—	<u>2,236</u>	<u>265</u>	<u>100</u>	<u>2,601</u>	<u>1,185</u>	<u>3,786</u>
	Nine months ended September 30, 2020						
Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments (i)	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Executive directors							
Zhang Shaofeng	—	646	27	8	681	—	681
Zhao Hongqiang	—	481	27	—	508	888	1,396
Zhao Jing	—	538	27	8	573	447	1,020
Non-executive directors							
Bai Linsen	—	—	—	—	—	—	—
Ren Xuefeng	—	—	—	—	—	—	—
Li Qiang	—	—	—	—	—	—	—
	—	<u>1,665</u>	<u>81</u>	<u>16</u>	<u>1,762</u>	<u>1,335</u>	<u>3,097</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

8 Directors' emoluments—continued

Nine months ended September 30, 2019 (unaudited)							
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments (i)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Zhang Shaofeng	—	651	27	39	717	—	717
Zhao Hongqiang	—	482	27	—	509	470	979
Zhao Jing	—	543	145	39	727	99	826
Non-executive directors							
Bai Linsen	—	—	—	—	—	—	—
Ren Xuefeng	—	—	—	—	—	—	—
Li Qiang	—	—	—	—	—	—	—
	—	1,676	199	78	1,953	569	2,522

Notes:

- (i) These represent the estimated value of share options granted to the directors under the Group's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(s) (ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph Share option scheme in Note 29.

- (ii) During the Track Record Period, no emoluments were paid by the Group to the director as an inducement to join or upon joining the Group or as compensation for loss of office. No director of the Group waived or agreed to waive any emoluments during the Track Record Period.
- (iii) Mr. Zhang Shaofeng and Mr. Zhao Hongqiang were appointed as executive directors of the Company in June 2018 and Mr. Bai Linsen was appointed as non-executive director of the Company at the same time. Ms. Zhao Jing was appointed as an executive director of the Company in November 2020. Mr. Ren Xuefeng was appointed as a non-executive director of the Company in August 2019. Mr. Li Qiang was appointed as a non-executive director of the Company in July 2020. The amounts presented above represent the salaries, allowances and benefits in kind, discretionary bonus and retirement scheme contributions paid during the Track Record Period.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

9 Individuals with highest emoluments

The number of directors and non-directors included in the five highest paid individuals for the years ended December 31, 2017, 2018 and 2019 and for the nine months ended September 30, 2019 and 2020 are set forth below:

	Years ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
Directors	—	—	—	—	1
Non-directors	5	5	5	5	4
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

The emoluments of the directors are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Salaries, allowances and benefits in kind	2,274	4,109	4,796	3,580	3,187
Retirement scheme contributions	170	261	194	155	17
Discretionary bonuses	148	805	264	228	171
Share-based payment	4,187	8,370	9,159	5,455	4,836
Total	<u>6,779</u>	<u>13,545</u>	<u>14,413</u>	<u>9,418</u>	<u>8,211</u>

The emoluments of the other individuals with the highest emoluments are all within the following band:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<u>Number of individuals</u>	<u>Number of individuals</u>	<u>Number of individuals</u>	<u>Number of individuals (unaudited)</u>	<u>Number of individuals</u>
Nil – HKD1,000,000	—	—	—	—	—
HKD1,000,001 – HKD1,500,000	2	—	—	1	—
HKD1,500,001 – HKD2,000,000	3	2	—	2	2
HKD2,000,001 – HKD2,500,000	—	1	2	1	1
HKD2,500,001 – HKD3,000,000	—	—	1	—	—
HKD3,000,001 – HKD3,500,000	—	—	1	—	—
HKD3,500,001 – HKD4,000,000	—	1	—	1	1
HKD4,000,001 – HKD4,500,000	—	—	—	—	—
HKD4,500,001 – HKD5,000,000	—	—	—	—	—
HKD5,000,001 – HKD5,500,000	—	—	1	—	—
HKD5,500,001 – HKD6,000,000	—	1	—	—	—

10 Basic and diluted loss per share

For the purpose of calculating loss per share as a result of the Reorganisation as described in Note 1, the number of shares used in the calculation reflects the outstanding shares of the Company as if the Reorganisation took place at the earliest period presented.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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10 Basic and diluted loss per share—continued

The following table sets forth the basic loss per share computation and the numerator and denominator for the years/periods presented:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019 (unaudited)	2020
Net loss attributable to equity shareholders of the Company (RMB'000)	(344,710)	(179,105)	(93,165)	(54,636)	(116,148)
Weighted average number of ordinary shares	<u>27,315,353</u>	<u>27,315,353</u>	<u>27,315,353</u>	<u>27,315,353</u>	<u>27,315,353</u>
Basic loss per share attributable to equity shareholders of the Company (in RMB per share) . . .	<u>(12.62)</u>	<u>(6.56)</u>	<u>(3.41)</u>	<u>(2.00)</u>	<u>(4.25)</u>

Basic loss per share is calculated by dividing the net loss attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding and reversing the fair value changes and the share based compensation cost of the dilutive potential ordinary shares to assume conversion of all dilutive potential ordinary shares. The Company has three categories of potential ordinary shares: preferred shares, share options and convertible loan. For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would result in anti-dilution. Accordingly, diluted loss per share for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 were the same as basic loss per share of the respective periods.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

11 Property, plant and equipment

	Electronic equipment RMB'000	Office and other equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost:				
As at January 1, 2017	8,992	1,065	559	10,616
Additions	8,125	1,777	2,721	12,623
As at December 31, 2017/January 1, 2018	17,117	2,842	3,280	23,239
Additions	7,953	352	2,238	10,543
Disposals	(510)	(300)	—	(810)
As at December 31, 2018/January 1, 2019	24,560	2,894	5,518	32,972
Additions	20,228	2,365	17,073	39,666
Disposals	(1,446)	(730)	—	(2,176)
As at December 31, 2019/January 1, 2020	43,342	4,529	22,591	70,462
Additions	8,580	312	1,544	10,436
Disposals	(645)	(151)	—	(796)
As at September 30, 2020	51,277	4,690	24,135	80,102
Accumulated depreciation:				
As at January 1, 2017	(2,419)	(205)	(36)	(2,660)
Charge for the year	(3,501)	(465)	(610)	(4,576)
As at December 31, 2017/January 1, 2018	(5,920)	(670)	(646)	(7,236)
Charge for the year	(5,054)	(1,381)	(2,072)	(8,507)
Disposals	57	50	—	107
As at December 31, 2018/January 1, 2019	(10,917)	(2,001)	(2,718)	(15,636)
Charge for the year	(12,030)	(131)	(3,811)	(15,972)
Disposals	1,369	458	—	1,827
As at December 31, 2019/January 1, 2020	(21,578)	(1,674)	(6,529)	(29,781)
Charge for the period	(7,379)	(791)	(4,412)	(12,582)
Disposals	549	97	—	646
As at September 30, 2020	(28,408)	(2,368)	(10,941)	(41,717)
Net book value:				
As at December 31, 2017	11,197	2,172	2,634	16,003
As at December 31, 2018	13,643	893	2,800	17,336
As at December 31, 2019	21,764	2,855	16,062	40,681
As at September 30, 2020	22,869	2,322	13,194	38,385

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

12 Intangible assets

	<u>Software</u> <u>RMB'000</u>	<u>Licence</u> <u>RMB'000</u>	<u>Total</u> <u>RMB'000</u>
Cost:			
As at January 1, 2017	517	—	517
Additions	50	23,280	23,330
As at December 31, 2017/January 1, 2018	567	23,280	23,847
Additions	2,075	—	2,075
As at December 31, 2018/January 1, 2019	2,642	23,280	25,922
Additions	3,779	—	3,779
As at December 31, 2019/January 1, 2020	6,421	23,280	29,701
Additions	3,699	—	3,699
As at September 30, 2020	10,120	23,280	33,400
Accumulated amortisation:			
As at January 1, 2017	(88)	—	(88)
Charge for the year	(51)	—	(51)
As at December 31, 2017/January 1, 2018	(139)	—	(139)
Charge for the year	(155)	—	(155)
As at December 31, 2018/January 1, 2019	(294)	—	(294)
Charge for the year	(436)	—	(436)
As at December 31, 2019/January 1, 2020	(730)	—	(730)
Charge for the period	(832)	—	(832)
As at September 30, 2020	(1,562)	—	(1,562)
Net book value:			
As at December 31, 2017	428	23,280	23,708
As at December 31, 2018	2,348	23,280	25,628
As at December 31, 2019	5,691	23,280	28,971
As at September 30, 2020	8,558	23,280	31,838

Intangible assets mainly comprises of software and insurance brokerage licence. The insurance brokerage licence was acquired in the business combination of Liming and has an indefinite useful life. The legal term of the licence is 3 years, but can be easily renewed upon expiry at an insignificant cost. Therefore, management concluded that the licence has indefinite useful life.

The Group evaluates indefinite-lived intangible asset each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortised is subsequently determined to have a finite useful life, the asset is tested for impairment.

Insurance brokerage licence is fully allocated to Liming which is considered a separate cash generating unit (“CGU”). The Group performed impairment testing at the end of each reporting period. For details, please refer to Note 14.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

13 Right-of-use assets

	Years ended December 31,			Nine months ended
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Cost:				
At January 1,	31,243	45,234	72,454	223,371
Inception of leases	13,991	33,439	186,361	10,182
Expiration of leases	—	(6,219)	(35,444)	(17,363)
At December 31, / September 30,	<u>45,234</u>	<u>72,454</u>	<u>223,371</u>	<u>216,190</u>
Accumulated depreciation:				
At January 1,	—	(15,434)	(39,514)	(55,468)
Charge for year/period	(15,434)	(30,299)	(51,398)	(41,799)
Expiration of leases	—	6,219	35,444	17,363
At December 31, / September 30,	<u>(15,434)</u>	<u>(39,514)</u>	<u>(55,468)</u>	<u>(79,904)</u>
Net book value:				
At December 31, / September 30,	<u>29,800</u>	<u>32,940</u>	<u>167,903</u>	<u>136,286</u>

14 Goodwill

	RMB'000
Balance as of January 1, 2017	—
Acquired during the year	<u>34,054</u>
Balance as of December 31, 2017	34,054
Acquired during the year	—
Balance as of December 31, 2018, 2019 and September 30, 2020	<u>34,054</u>

Goodwill is attributed to the workforce of the acquired business and significant synergies expected to arise after the Group's acquisition of Liming in 2017. The goodwill is not expected to be deductible for tax purposes.

For the purpose of impairment testing, goodwill and insurance brokerage licence are fully allocated to Liming, which is considered a separate CGU, representing the lowest level within the Group for which the goodwill and insurance brokerage licence are monitored for internal management purpose.

Impairment review on the goodwill and insurance brokerage licence of the Group has been conducted by the management as of December 31, 2017, 2018 and 2019 and September 30, 2020. For the purposes of the impairment review, the recoverable amount of goodwill and insurance brokerage licence is determined based on the value-in-use calculations using the discounted cash flow method. Management forecasted an average annual revenue growth rate of 20% for the next five-year period, and the cash flows beyond the five-year period were extrapolated using an estimated annual growth rates of 3%. Pre-tax discount rate of 19.5% was used to reflect market assessment of time value and the specific risks relating to the CGU.

Based on the result of the goodwill and insurance brokerage licence impairment testing, the combined estimated recoverable amount was approximately RMB73,117,000, RMB83,753,000, RMB103,117,000 and RMB106,564,000 as of December 31, 2017, 2018 and 2019 and September 30,

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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14 Goodwill—continued

2020, exceeding carrying amount by RMB7,985,000, RMB16,344,000, RMB40,162,000 and RMB41,774,000, respectively. As the recoverable amount was significantly above the carrying amount, no impairment was identified in respect of the goodwill and insurance brokerage licence as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively.

The Group has performed a sensitivity analysis on key assumptions used in management's annual impairment test of goodwill. Had the discount rate during the forecast period been 1% higher, the remaining headroom would have decreased to RMB2,075,000, RMB10,193,000, RMB33,609,000 and RMB35,486,000 as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively. Had the estimated profit during the forecast period been decreased by 5%, the remaining headroom would have decreased to RMB3,579,000, RMB12,055,000, RMB35,171,000 and RMB35,211,000 as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively. Reasonably possible changes in key assumptions would not lead to impairment as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively.

15 Financial assets at fair value through profit or loss

	Note	As at December 31,			As at
		2017	2018	2019	September 30,
		RMB'000	RMB'000	RMB'000	2020
					RMB'000
Non-current					
—Unlisted equity securities	(i)	3,542	10,442	3,542	3,542
Current					
—Wealth management products	(ii)	3,120	497,354	545,695	168,132
—Trust plans	(ii)	33,000	50,000	—	538,147

Notes:

- (i) The unlisted equity securities as at December 31, 2017, 2018 and 2019 and September 30, 2020 are shares in private companies incorporated in the PRC principally engaged in non-performing loan management service. One of the investee had ceased operation in 2019, and the fair value was nil as of December 31, 2019; the Company disposed of the investment in 2020. No dividends were received on these investments during the Track Record Period.
- (ii) Wealth management products were issued by commercial banks in the PRC, and the trust plans were operated by licensed trust management companies in the PRC.

16 Investment in subsidiaries

	Note	As at December 31,		As at
		2018	2019	September 30,
		RMB'000	RMB'000	2020
				RMB'000
Investment in subsidiaries	(i)	—	—	—
Deemed investment arising from share-based compensation	(ii)	—	109,992	140,096
Investment in subsidiaries		—	109,992	140,096

Notes:

- (i) The share capital of the subsidiaries directly held by the Company were not paid up during the Track Record Period.
- (ii) The amount represents share-based compensation expenses arising from the grant of share options of the Company to employees of the subsidiaries (Note 29) in exchange for their services provided to these subsidiaries, which were deemed to be investments made by the Company into these subsidiaries.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

17 Trade receivables

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	79,086	155,970	203,348	167,534
Less: loss allowance	(584)	(3,663)	(7,354)	(7,675)
Trade receivables, net	78,502	152,307	195,994	159,859

Ageing analysis

As of the end of each of the Track Record Period, the ageing analysis of trade receivables, based on the transaction date and net of loss allowance, is as follows:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months (inclusive)	71,248	127,311	121,854	112,389
3 months to 6 months (inclusive)	7,036	16,909	52,397	34,031
6 months to 1 year (inclusive)	753	10,620	24,101	17,774
Over 1 year	49	1,130	4,996	3,340
Less: loss allowance	(584)	(3,663)	(7,354)	(7,675)
Trade receivables, net	78,502	152,307	195,994	159,859

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 31(a).

18 Loans receivable

	Note	As at December 31,			As at September 30,
		2017	2018	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000
Loans facilitated through Guangzhou Shurong					
—Consumer loans		31,415	2,037	24	3,833
—Car loans		42,580	—	—	—
—Corporate loans		—	—	3,512	4,976
Loans facilitated through a trust	(i)	29,032	—	—	—
Loans receivable		103,027	2,037	3,536	8,809
Less: allowance for loan losses	(i)	(18,124)	(61)	(106)	(317)
Loans receivable, net		84,903	1,976	3,430	8,492

Note:

- (i) The Group enters into consumer lending transactions via a trust plan operated by a licensed trust management company. As the Group is the sole beneficiary and assumes substantially all risks and rewards associated with the plan, the Group consolidated the trust plan and recognised the loans outstanding in the trust plan. The Group recognises ECLs of the underlying loan using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. As of December 31, 2017, the balance of the allowance for loan losses was primarily made for the loans facilitated through the trust. On February 8, 2018, the Group disposed of the trust to a third party at fair value. No gain or loss was recognised upon disposal as the trust had been written down to fair value as of December 31, 2017.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

18 Loans receivable—continued

The following table presents the ageing of past-due loan principles as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively:

	Total current	1-90 days past due	Over 90 days past due	Total loans
	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2017	87,931	7,508	7,588	103,027
As of December 31, 2018	2,037	—	—	2,037
As of December 31, 2019	3,536	—	—	3,536
As of September 30, 2020	8,771	38	—	8,809

The following table presents the movements in the allowance for loan losses are as follows:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at the beginning of the year/period	—	18,124	61	106
Additions	18,124	61	359	234
Write-off	—	(18,124)	(314)	(23)
Balance at the end of the year/period	18,124	61	106	317

The following table presents an analysis of the relevant maturity based on the remaining periods to repayment at December 31, 2017, 2018 and 2019 and September 30, 2020, respectively:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Repayable on demand	—	—	—	—
Within 3 months (inclusive)	60,807	1,976	3,430	4,797
Between 3 months and 1 year (inclusive)	24,096	—	—	3,695
Loans receivable, net	84,903	1,976	3,430	8,492

19 Prepaid expenses and other current assets

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits	18,526	16,088	21,077	17,066
Prepaid expenses	7,312	14,784	17,137	11,984
Advances to suppliers	2,595	13,094	23,128	9,940
Amounts due from related parties	15,112	—	—	—
Others	1,913	12,359	16,292	13,218
Total	45,458	56,325	77,634	52,208

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

*Expressed in RMB unless otherwise indicated***20 Cash and cash equivalents and restricted cash****(a) Cash and cash equivalents comprise:**

	As at December 31,			As at
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Cash at bank	88,395	210,992	150,852	43,585
Cash equivalents (i)	—	1,297	—	360
Cash on hand	45	65	65	65
Cash and cash equivalents	<u>88,440</u>	<u>212,354</u>	<u>150,917</u>	<u>44,010</u>

- (i) Cash equivalents represents cash balances kept in third party payment platform, which can be withdrawn by the Group at any time.

(b) Restricted cash

	As at December 31,			As at
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Non-current assets				
Restricted cash (i)	5,000	5,722	5,722	5,722
Current assets				
Restricted cash (ii)	6,463	—	—	—
Total	<u>11,463</u>	<u>5,722</u>	<u>5,722</u>	<u>5,722</u>

Restricted cash consists of funds that are contractually restricted as to usage or withdrawal due to regulatory requirement. The Group's restricted cash are all denominated in RMB and are all placed at financial institutions in the mainland of the PRC. The Group has presented restricted cash separately from cash and cash equivalents on the consolidated statements of financial position. The balances of the Group's restricted cash primarily comprise the following:

- (i) In accordance with the rules issued by China Banking and Insurance Regulatory Commission (CBIRC), the Group's insurance brokerage subsidiary, Liming, sets aside cash funds as a liquidity reserve.
- (ii) The Group enters into micro lending transactions via a trust plan. The Group placed cash in the trust for lending purpose, which is considered as restricted usage.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

20 Cash and cash equivalents and restricted cash—continued

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank loans	Interests payable	Lease liabilities	Redeemable convertible preferred shares	Convertible loan	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017	15,000	—	29,917	1,026,882	—	1,071,799
Changes from financing cash flows:						
Repayment of bank loans	(15,000)	—	—	—	—	(15,000)
Payment of lease liabilities	—	—	(16,719)	—	—	(16,719)
Interest paid	—	(849)	—	—	—	(849)
Proceeds from bank loans	9,550	—	—	—	—	9,550
Change in fair value	—	—	—	255,374	—	255,374
Other changes:						
Increase in lease liabilities	—	—	13,991	—	—	13,991
Interest expenses	—	849	1,776	—	—	2,625
As at December 31, 2017	9,550	—	28,965	1,282,256	—	1,320,771
	Bank loans	Interests payable	Lease liabilities	Redeemable convertible preferred shares	Convertible loan	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2018	9,550	—	28,965	1,282,256	—	1,320,771
Changes from financing cash flows:						
Issuance of preferred shares by Beijing Bairong	—	—	—	485,100	—	485,100
Repayment of bank loans	(9,550)	—	—	—	—	(9,550)
Payment of lease liabilities	—	—	(34,471)	—	—	(34,471)
Interest paid	—	(1,206)	—	—	—	(1,206)
Proceeds from bank loans	30,000	—	—	—	—	30,000
Issuance of convertible loan	—	—	—	—	100,000	100,000
Change in fair value	—	—	—	146,323	(304)	146,019
Other changes:						
Increase in lease liabilities	—	—	33,439	—	—	33,439
Interest expenses	—	1,206	2,724	—	—	3,930
As at December 31, 2018	30,000	—	30,657	1,913,679	99,696	2,074,032

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

20 Cash and cash equivalents and restricted cash—continued

(c) Reconciliation of liabilities arising from financing activities—continued

	Bank loans	Interests payable	Lease liabilities	Redeemable convertible preferred shares	Convertible loan	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2019	30,000	—	30,657	1,913,679	99,696	2,074,032
Changes from financing cash flows:						
Converted from convertible loan	—	—	—	91,293	(91,293)	—
Repayment of short-term bank loans	(30,000)	—	—	—	—	(30,000)
Payment of lease liabilities	—	—	(61,922)	—	—	(61,922)
Interest paid	—	(710)	—	—	—	(710)
Change in fair value	—	—	—	76,173	(8,403)	67,770
Other changes:						
Increase in lease liabilities	—	—	186,361	—	—	186,361
Interest expenses	—	710	10,547	—	—	11,257
As at December 31, 2019	<u>—</u>	<u>—</u>	<u>165,643</u>	<u>2,081,145</u>	<u>—</u>	<u>2,246,788</u>

	Bank loans	Interests payable	Lease liabilities	Redeemable convertible preferred shares	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2020	—	—	165,643	2,081,145	2,246,788
Change from financing cash flows:					
Payment of lease liabilities	—	—	(48,646)	—	(48,646)
Change in fair value	—	—	—	93,776	93,776
Other changes:					
Increase in lease liabilities	—	—	10,182	—	10,182
Interest expenses	—	—	8,936	—	8,936
As at September 30, 2020	<u>—</u>	<u>—</u>	<u>136,115</u>	<u>2,174,921</u>	<u>2,311,036</u>

21 Bank loans

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	9,550	30,000	—	—
	<u>9,550</u>	<u>30,000</u>	<u>—</u>	<u>—</u>

In November 2017, the Group borrowed a short-term loan of RMB9,550,000 under the facility agreement at the interest rate of 5.655% per annum. The agreement is guaranteed by the Chief Executive Officer of the Group. The loan was repaid in May 2018.

In April 2018, the Group entered into a revolving credit facility agreement with a commercial bank in the PRC for a line of credit of RMB30,000,000 for one year. The agreement is guaranteed by the Chief

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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21 Bank loans—continued

Executive Officer of the Group. The Group borrowed RMB30,000,000 under the facility agreement at the interest rate of 5.655% per annum. RMB30,000,000 was fully repaid in the year ended December 31, 2019.

22 Trade payables

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to third parties	8,628	9,198	39,542	45,166

As of the end of each of the Track Record Period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	8,628	9,198	38,528	43,582
6 months to 1 year	—	—	1,014	13
1 to 2 years	—	—	—	1,571
	8,628	9,198	39,542	45,166

All of the trade payables are expected to be settled within one year or are repayable on demand.

23 Accrued expenses and other current liabilities

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued payroll and welfare	33,747	63,751	70,961	65,056
Accrued expenses	15,100	14,065	38,448	24,855
Value Added Tax and surcharges payable	2,843	7,447	8,049	7,251
Deposit received	13,272	4,825	5,973	4,050
Others	1,094	1,119	644	851
Total	66,056	91,207	124,075	102,063

All of the accrued expenses and other current liabilities are expected to be settled and expensed within one year or are repayable on demand.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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24 Contract liabilities

Movements in contract liabilities are as below:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1,	26,363	44,887	53,859	34,059
Additions	85,803	133,481	127,641	198,893
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(15,371)	(44,865)	(40,459)	(34,059)
Decrease in contract liabilities as a result of recognising revenue during the same year/period	(51,908)	(79,644)	(106,982)	(158,842)
Balance at December 31, / September 30,	<u>44,887</u>	<u>53,859</u>	<u>34,059</u>	<u>40,051</u>

25 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting periods:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Maturity analysis-contractual undiscounted cash flows				
Within 1 year or on demand	21,622	22,924	59,922	54,303
More than 1 year but less than 2 years	8,390	8,038	46,495	44,018
More than 2 years	1,020	1,851	84,482	57,052
Total undiscounted lease liabilities	31,032	32,813	190,899	155,373
Less: total future interest expenses	(2,067)	(2,156)	(25,256)	(19,258)
Present value of lease liabilities	<u>28,965</u>	<u>30,657</u>	<u>165,643</u>	<u>136,115</u>
Lease liabilities included in the consolidated statements of financial position				
Current	20,266	21,362	49,629	36,965
Non-current	8,699	9,295	116,014	99,150
Present value of lease liabilities	<u>28,965</u>	<u>30,657</u>	<u>165,643</u>	<u>136,115</u>
	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts recognised in profit or loss				
Interest on lease liabilities	1,776	2,724	10,547	8,936
Amounts recognised in the consolidated cash flow statements				
Total cash flow for leases	16,719	34,471	61,922	48,646

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued*Expressed in RMB unless otherwise indicated***26 Convertible loan**

On August 29, 2018, Beijing Bairong entered into a convertible loan agreement with an investor to obtain a loan of RMB100,000,000. The principal of the loan is automatically converted to a fixed number of the Company's preferred shares ("Series C+ Preferred Shares") at a fixed price of RMB 54.42 per share upon the consummation of the Reorganisation.

On June 27, 2019, the Company issued 1,837,624 Series C+ redeemable convertible preferred shares to the convertible loan investor of Beijing Bairong upon the conversion of the entire principal of the convertible loan.

The convertible loan is carried at fair value with change in fair value recognised in the profit or loss. The Group recognised profits of RMB304,000 and RMB8,403,000 in the consolidated statements of profit or loss and other comprehensive income for the years ended December 31, 2018 and 2019, respectively.

The movement of the convertible loan is set out as below:

	RMB'000
At January 1, 2018	—
Issuance	100,000
Change in fair value	<u>(304)</u>
At December 31, 2018 and January 1, 2019	99,696
Change in fair value	(8,403)
Converted to redeemable preferred shares upon the consummation of the reorganisation	<u>(91,293)</u>
At December 31, 2019 and September 30, 2020	<u>—</u>

Key valuation assumption used to determine the fair value were described in Note 27.

27 Redeemable convertible preferred shares

On November 26, 2014, Beijing Bairong entered into a shares purchase agreement with certain investors and pursuant to the agreement, on December 8, 2014, Beijing Bairong issued 511,499 Redeemable convertible Series A Preferred Shares ("Former Series A Preferred Shares") for an aggregated consideration of RMB50,000,000. On January 25, 2015, as approved by the shareholders, Beijing Bairong converted all of its additional paid in capital to ordinary shares and Series A Preferred Shares, on a pro-rata basis, based upon the numbers of ordinary shares held by each holder of ordinary shares and preferred shares (calculated on an as-converted basis). After the conversion, the number of shares held by Series A Preferred Shareholders was 10,024,590.

On April 4, 2015, Beijing Bairong entered into a shares purchase agreement with certain investors and pursuant to the agreement, on April 23, 2015, Beijing Bairong issued 1,108,443 Redeemable convertible Series A+ Preferred Shares ("Former Series A+ Preferred Shares") for an aggregated consideration of RMB10,000,000.

On September 11, 2015, Beijing Bairong entered into a shares purchase agreement with certain investors and pursuant to the agreement, on December 4, 2015, Beijing Bairong issued 8,024,826 Redeemable convertible Series B Preferred Shares for an aggregated consideration of

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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27 Redeemable convertible preferred shares—continued

RMB150,000,000, of which RMB115,289,000 and RMB34,711,000 was received in the year ended December 31, 2015 and 2016, respectively. In addition, Beijing Hongshan Xinyuan Equity Investment Center purchased 2,674,942 existing ordinary shares from the ordinary shareholders, with an aggregate consideration of RMB50,000,000, which were converted to preferred shares (“Sequoia Preferred Shares”) on December 4, 2015. The terms of the Sequoia Preferred Shares are identical to that of the Redeemable convertible Series B Preferred Shares except for its liquidation preference as described in the paragraph headed “Liquidation Preference” of this note.

The 8,024,826 Redeemable convertible Series B Preferred Shares and 2,674,942 Sequoia Preferred Shares are collectively referred to as “Former Series B Preferred Shares”.

On June 3, 2016, Beijing Bairong entered into a shares purchase agreement with certain investors and pursuant to the agreement, on June 12, 2016, Beijing Bairong issued 7,350,498 Redeemable convertible Series B+ Preferred Shares for an aggregated consideration of RMB300,000,000. In addition, three other investors purchased 4,042,774 existing ordinary shares from the ordinary shareholders, with an aggregate consideration of RMB110,000,000, which were converted to preferred shares on June 3, 2016. After the conversion, the terms of such preferred shares are identical to that of the Redeemable convertible Series B+ Preferred Shares, except that such shares are not entitled to liquidation preference.

The 7,350,498 Redeemable convertible Series B+ Preferred Shares and 4,042,774 Redeemable convertible Series B+ Preferred Shares are collectively referred to as “Former Series B+ Preferred Shares”.

Pursuant to a share purchase agreement with an investor, Beijing Bairong issued 9,309,405 Redeemable convertible Series C Preferred Shares (“Former Series C Preferred Shares”) in February 2018 for an aggregated consideration of RMB506,600,000, of which RMB485,100,000 was received in the year ended December 31, 2018.

Upon the Reorganisation described in Note 1, the Company issued Series A, A+, B, B+, and C redeemable convertible preferred shares to the same third party investors, effectively exchanging all of their Series A, A+, B, B+, and C redeemable convertible preferred shares of Beijing Bairong into the redeemable convertible preferred shares of the Company. The terms of the preferred shares of the Company substantially mirrored those of the preferred shares of Beijing Bairong. The Series A, A+, B, B+, and C redeemable convertible preferred shares issued in connection with the Reorganisation include 21,927,741 shares issued at par for notional consideration of RMB16,000, and 20,607,737 shares issued for a total notional consideration of RMB889,936,000.

The preferred shareholders issued promissory notes to the Company on June 27, 2019 with notional principal amounts equal to the above total notional consideration of RMB889,952,000. The promissory notes issued by the preferred shareholders served as loan commitments granted by the Company, as Beijing Bairong commits to first pay to the shareholders the cash consideration equal to their investment costs of the preferred shares of Beijing Bairong, which are capped at the notional principal of the promissory notes. Upon drawing down such amounts from Beijing Bairong, the shareholders would be obliged to return such amounts to the Company within 10 business days in the form of repayments for the promissory notes. Though the loans granted under the loan commitment would be

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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27 Redeemable convertible preferred shares—continued

interest-free, given that the tenor is within 10 business days, the Company considers the fair value of the loan commitment to be immaterial.

In addition, as described in Note 26, the Company issued 1,837,624 Series C+ redeemable convertible preferred shares to the convertible loan investor of Beijing Bairong on June 27, 2019 upon the conversion of the entire principal of the convertible loan.

In September 23, 2020, the Company approved surrender of 395,089 Series C redeemable convertible preferred shares by one of the shareholders.

The key terms of the preferred shares are as follows:

Shareholders' Redemption Rights upon occurrence of specified events

The preferred shares are redeemable by the holders if the Company fails to complete a Qualified IPO prior to a specified no-IPO redemption date or upon occurrence of other specified contingent events. "Qualified IPO" means an initial public offering of the shares of the Company on a stock exchange acceptable to the holders of the preferred shares, provided that the Company's pre-IPO market capitalisation shall be no less than RMB8.5 billion and determined in a manner acceptable to the holders representing at least the majority of the issued and outstanding preferred shares. The initial no-IPO redemption date was September 11, 2020 upon the issue of the preferred shares, and such date was subsequently revised to September 11, 2021 as approved by the holders of the preferred shares on July 6, 2020. In November 13, 2020, the shareholders agreed to further extend such date to July 1, 2022 should the Company submit a Form A1 with the Stock Exchange on or prior to December 31, 2020. Upon a redemption triggered by the contingent events stated above, the redemption price shall equal to the following:

- i. for each Series A Preferred Share, Series A+ Preferred Share and Series B Preferred Share redeemed, the Redemption Price shall be 150% of the original issue Price, plus any declared but unpaid dividends; or
- ii. for each Series B+ Preferred Share, Series C Preferred Share, Series C+ Preferred Share redeemed, the Redemption Price shall equal to the sum of the original preferred shares issue price, plus an amount accruing daily at 10% of the original preferred shares issue price per annum and all declared but unpaid dividends.

Liquidation Preference

In the event of any liquidation including deemed liquidation, dissolution or winding up of the Company, holders of the preferred shares shall be entitled to receive a per share amount equal to the higher of (i) and (ii) below.

- i. the original preferred shares issue price for the respective series; and
- ii. the fair market value of the relevant series of preferred shares on the date of liquidation.

Upon completion of the IPO, all preferred rights of the holders of preferred shares will be terminated and the preferred shares will be automatically converted to ordinary shares.

Based on the feature above, the Group designated the above preferred shares as financial liabilities at fair value through profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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27 Redeemable convertible preferred shares—continued

The Group measures each series of the preferred shares at the higher of the present value of the share redemption amount and the fair value as determined using the valuation models as described below.

Valuation

The backsolve method utilises the options-pricing method to allocate the equity value of a company, implied by recent investments in preferred shares, to the preferred shareholders and ordinary shareholders. When there is a recent transaction that is reflective of the equity value of a company, the issuance price in such transaction would be used in the valuation of preferred shares.

There is a recent transaction as of December 31, 2017, so the Group applied the backsolve method to determine the underlying equity value of the Company and use the option-pricing method and equity allocation model to determine the fair value of the preferred shares as of December 31, 2017.

The main parameters are assumed to be as follows:

Valuation dates	Risk-free Rates		
	IPO Case	Merger/Sales	Redemption
December 31, 2017	3.78%	3.78%	3.78%

Note: The risk-free rates are with reference to the yield of China Government Bonds at the Valuation Dates.

Valuation dates	Volatilities		
	IPO Case	Merger/Sales	Redemption
December 31, 2017	31.74%	31.74%	31.74%

Note: The volatility parameters used are with reference to the historical volatility of comparable companies as at the Valuation Dates.

When there is no recent transaction that is reflective of the equity value of a company, the discount cash flow method (“DCF method”) would be used in the valuation of the preferred shares. The Group applied the DCF method to determine the underlying equity value of the Company and used the option-pricing method and equity allocation model to determine the fair value of the preferred shares as of December 31, 2018 and 2019 and September 30, 2019 and 2020.

The DCF method involves applying appropriate weighted average cost of capital (“WACC”), to discount the future cash flow forecast to present value. The WACC was determined based on a consideration of the factors including risk-free rate, comparative industry risk, equity risk premium, company size and non-systematic risk factors. The Group also applied a discount for lack of marketability (“DLOM”), which was quantified by the Chaffee’s European put options-pricing model. Under this option-pricing method, which assumed that the put option is struck at the spot price of the stock before the privately held shares can be sold, the cost of the put option was considered as a basis to determine the DLOM.

Key assumptions are set as below:

	As of December 31,		As of September 30,
	2018	2019	2020
WACC	17.65%	15.96%	15.22%
DLOM	10.00%	10.00%	10.00%

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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28 Income tax in the consolidated statement of financial position

Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets recognised in the consolidated statements of financial position and the movements during the year are as follows:

Deferred tax arising from:	Deductible accumulative losses	Impairment losses	Others deductible temporary difference	Changes in the fair value	Identified intangible assets from acquisition	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017	8,825	723	187	(118)	—	9,617
(Charged) / credit to profit or loss (Note 7(a))	(6,145)	385	441	100	—	(5,219)
Credited to reserves	—	—	—	—	(5,820)	(5,820)
At December 31, 2017 and January 1, 2018	2,680	1,108	628	(18)	(5,820)	(1,422)
Credited / (charged) to profit or loss (Note 7(a))	2,668	381	417	(519)	—	2,947
At December 31, 2018 and January 1, 2019	5,348	1,489	1,045	(537)	(5,820)	1,525
Credited / (charged) to profit or loss (Note 7(a))	2,528	712	254	173	—	3,667
At December 31, 2019 and January 1, 2020	7,876	2,201	1,299	(364)	(5,820)	5,192
Credited / (charged) to profit or loss (Note 7(a))	2,118	48	(160)	(65)	—	1,941
At September 30, 2020	9,994	2,249	1,139	(429)	(5,820)	7,133

(ii) Reconciliation to the consolidated statements of financial position

	As at December 31,			As at September 30,
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Net deferred tax asset recognised in the consolidated statements of financial position	4,398	7,345	11,217	13,057
Net deferred tax liability recognised in the consolidated statements of financial position	(5,820)	(5,820)	(6,025)	(5,924)
At the end of year/period	(1,422)	1,525	5,192	7,133

(iii) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB203,748,000, RMB216,018,000 and RMB213,367,000 and RMB196,660,000 as at December 31, 2017, 2018, 2019 and September 30, 2020, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction before they expire.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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29 Share-based compensation

On November 20, 2015, the Board of Directors of Beijing Bairong approved the 2015 Share Plan (the “2015 Plan”) for the purpose of providing incentives and rewards to employees and executives who contribute to the success of the Beijing Bairong’s operations.

As an entity consolidated by the Beijing Bairong, Bairong Tongchuang is a limited partnership established under the laws of PRC, which owns 12,963,556 shares in the Beijing Bairong as of December 31, 2018 and 2019. Beijing Bairong divided the partnership interest into 12,963,556 virtual shares to match the underlying shares held by Bairong Tongchuang solely for share option plan purpose. Under the 2015 Plan, Beijing Bairong was entitled to grant the total 12,963,556 share options in virtual shares of Bairong Tongchuang to employees, officers, directors and individuals of Beijing Bairong.

Share options granted to an employee under the 2015 Plan will be exercisable upon the employee renders service to Beijing Bairong in accordance with a stipulated service schedule starting from the employee’s date of employment. Employees are generally subject to a four-year service schedule commencing from the employees date of employment, under which an employee is entitled to vest in 50% of his option grants for the first two years of completed service and entitled to vest in 25% of his option grants annually thereafter of completed service.

In connection with the Reorganisation and to mirror the number and vesting terms of the options originally granted by Beijing Bairong, the Company adopted a new share incentive plan, which was approved by the board of directors of the Company to replace the previous 2015 Plan. The terms of the new share incentive plan are the same as those under the 2015 Plan.

The exchanges of share options or changes to their terms in conjunction with an equity restructuring such as the Reorganisation are modifications of the share options and the accounting for a modification in conjunction with an equity restructuring requires a comparison of the fair value of the modified awards with the fair value of the original award immediately before the modification. The Group determined that there was no significant incremental fair value before and after the modification, and so no additional cost was recognised in the consolidated financial statements following the Reorganisation.

In August 2019, the shareholders of the Company approved a resolution to extend the expiration dates of all share options granted under the 2015 Plan to ten years after the respective original grant dates of these options. The change in terms of the share incentive plan was accounted for as a modification of the awards, and the Company calculated the incremental compensation cost of the modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified. The incremental compensation cost resulting from the modification was RMB2,944,000. For vested options, the Company recognised the incremental compensation cost when the modification occurred. For unvested options, the Company recognised the sum of the incremental compensation cost and the remaining unrecognised compensation cost for the original awards over the remaining requisite service period after modification.

Beijing Bairong granted 1,503,681, 3,805,429, 2,927,828 and 320,000 share options to employees, all with an exercise price of RMB1, for the years ended December 31, 2017, 2018 and 2019, and period ended September 30, 2020, respectively. The following table sets forth the share option shares

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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29 Share-based compensation—continued

activities under the 2015 Plan for the years ended December 31, 2018 and 2019, and period ended September 30, 2020:

	Options Outstanding	Weighted Average Exercise Price RMB
Outstanding at January 1, 2017	5,181,889	1
Granted	1,503,681	1
Exercised	—	
Forfeited	(824,973)	1
Outstanding at December 31, 2017	5,860,597	1
Granted	3,805,429	1
Exercised	—	
Forfeited	(1,785,391)	1
Outstanding at December 31, 2018	7,880,635	1
Granted	2,927,828	1
Exercised	—	
Forfeited	(1,241,534)	1
Outstanding at December 31, 2019	9,566,929	1
Granted	320,000	1
Exercised	—	
Forfeited	(591,814)	1
Outstanding at September 30, 2020	<u>9,295,115</u>	<u>1</u>

Options granted to employees were measured at fair value on the dates of grant based on the Binomial Option Pricing Model with the following assumptions:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
Expected volatility	30.00%	27.00%	30%-34%	33%-36%
Risk-free interest rate	2.60%	3.2%-3.7%	2.50%-3.28%	2.85%-3.28%
Exercise multiple	2	2	2.0-2.8	2
Expected dividend yield	—	—	—	—
Expected term (in years)	4	4	4-10	10
Fair value of the underlying shares on the date of option grants (per share)	RMB17.51-24.71	RMB24.26-34.71	RMB27.00-30.18	RMB27.00-27.13

30 Capital and reserves

(a) Share capital

The Company was incorporated in the Cayman Islands in June 2018 with an authorised share capital of USD50 divided into 500,000,000 shares with a par value of USD0.0001 each.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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30 Capital and reserves—continued**(a) Share capital—continued**

As part of the Reorganisation described in Note 1, the Company completed the following steps:

- 1) Upon incorporation, the Company issued 18,776,522 ordinary shares to the co-founders with a consideration of RMB13,000.
- 2) Pursuant to share subscription agreements with the investors on June 27, 2019, the Company issued 22,237,437 ordinary shares to the third party investors of Beijing Bairong for a consideration of RMB177,829,000 (17,171,974 shares were issued at par for a total consideration of RMB3,000, and 5,065,463 shares were issued for a total consideration of RMB177,826,000. The RMB177,826,000 represents the cash consideration the shareholders paid for acquiring the ordinary shares of Beijing Bairong). In addition, the Company approved surrender of 735,050 ordinary shares by one of the co-founders.

Upon the completion of steps 1 and 2 above, the number of ordinary shares of the Company held by each of the shareholders is identical to the number of ordinary shares of Beijing Bairong held by such shareholder, and the Company effectively exchanged all of the ordinary shares held by each of the shareholders of Beijing Bairong into the ordinary shares of the Company.

The shareholders issued promissory notes to the Company with a total notional principal amounts of RMB177,842,000. Under the promissory notes arrangement, the ordinary shareholders could draw an amount equal to their investment cost paid for the ordinary shares of Beijing Bairong from Beijing Bairong, which is capped at the principal amount of the promissory note. After drawing down the amount from Beijing Bairong, such ordinary shareholders are obliged to return such amount to Bairong Inc. to repay the promissory notes within 10 business days. The overall effect of those transactions will be to transfer a certain amount of cash from Beijing Bairong to the Company, with no net impact on cash. The promissory notes are regarded as being conditional with contractual rights to receive money from those shareholders only to the extent those shareholders have received equal amounts from Beijing Bairong first. In substance, the Company has granted a loan commitment to those shareholders. The Company considers the fair value of the short-term loan commitment to be immaterial.

On August 26, 2019, the Company repurchased 9,963,556 shares with a par value of US\$0.0001 each from GeniAI Tech Ltd. for nil consideration and then promptly cancelled such shares.

(b) Reserves

- (i) Capital reserve as at December 31, 2017, 2018, 2019 and September 30, 2019 and 2020 primarily consist of share-based compensation (see Note 29).
- (ii) PRC statutory reserve

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC.

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after taxation, as determined

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30 Capital and reserves—continued**(b) Reserves—continued**

in accordance with the relevant PRC accounting standards, to their respective statutory reserves until the reserves reach 50% of their respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(c) Dividends

During the years of 2017, 2018 and 2019 and nine months ended September 30, 2020, no dividends were declared by the entities comprising the Group to its owners.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Except for Liming and Guangzhou Shurong, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

In accordance with the rules issued by China Banking and Insurance Regulatory Commission (CBIRC), the Group's insurance brokerage subsidiary, Liming , sets aside cash funds as a liquidity reserve.

Guangzhou Shurong, the Group's micro-loan subsidiary, regularly monitors the balance of the loans in relation to its paid-in capital, so as to comply with regulatory requirements.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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30 Capital and reserves—continued

(e) Movements in components of equity

The changes of each component of the Group's consolidated equity during the Track Record Period is set out in the consolidated statements of changes in equity. Details of changes in the Company's individual components of equity since its date of incorporation to September 30, 2020 are set out below:

	Share capital	Capital reserve	Accumulated deficit	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at June 21, 2018				
(date of incorporation)	13	—	—	13
Balance at December 31, 2018	13	—	—	13
Changes in equity for 2019:				
Issuance of ordinary shares	6	—	—	6
Effect of Reorganisation	—	87,782	(2,092,770)	(2,004,988)
Profit for the year	—	—	4,755	4,755
Share-based compensation	—	22,210	—	22,210
Balance at December 31, 2019	19	109,992	(2,088,015)	(1,978,004)
Changes in equity for 2020:				
Loss for the period	—	—	(104,325)	(104,325)
Share-based compensation	—	30,104	—	30,104
Balance at September 30, 2020	19	140,096	(2,192,340)	(2,052,225)

31 Financial risk management and fair values of financial instruments

Exposure to credit risk, liquidity risk, interest rate risk, foreign exchange risk and fair value measurement arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practice used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with a minimum credit rating, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivable are non-interest bearing and are generally on terms between 1 to 90 days. In some cases,

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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31 Financial risk management and fair values of financial instruments—continued

(a) Credit risk—continued

Trade receivables—continued

these terms are extended for certain qualified long-term customers who have met specific credit requirements. The Group does not have any off-balance-sheet credit exposure related to its customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2017, 2018 and 2019 and September 30, 2020, 43.74%, 25.81%, 34.42% and 24.37% of the total trade receivables was due from the Group's five largest customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2017, 2018 and 2019 and September 30, 2020:

	December 31, 2017		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	RMB'000
Current	0.1%	71,447	71
Overdue within 3 months	1.0%	6,836	68
Overdue after 3 months but within 6 months	52.0%	638	329
Overdue more than 6 months	70.0%	165	116
		<u>79,086</u>	<u>584</u>
	December 31, 2018		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	RMB'000
Current	0.05%	143,239	72
Overdue within 3 months	2.0%	7,883	158
Overdue after 3 months but within 6 months	61.0%	2,330	1,419
Overdue more than 6 months	80.0%	2,518	2,014
		<u>155,970</u>	<u>3,663</u>
	December 31, 2019		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	RMB'000
Current	0.05%	155,193	78
Overdue within 3 months	2.0%	36,691	734
Overdue after 3 months but within 6 months	46.0%	8,118	3,765
Overdue more than 6 months	83.0%	3,346	2,777
		<u>203,348</u>	<u>7,354</u>

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31 Financial risk management and fair values of financial instruments—continued

(a) Credit risk—continued

Trade receivables—continued

	September 30, 2020		
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current	0.1%	146,888	162
Overdue within 3 months	2.3%	11,525	269
Overdue after 3 months but within 6 months	59.2%	4,349	2,576
Overdue more than 6 months	97.8%	4,772	4,668
		<u>167,534</u>	<u>7,675</u>

Expected loss rates are based on actual loss experience over the past recent years since January 1, 2017. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year/period is as follows:

	As at December 31,			As at
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1,	—	(584)	(3,663)	(7,354)
Loss allowance recognised during the year/period	(584)	(3,079)	(4,061)	(321)
Written off	—	—	370	—
Balance at December 31, / September 30,	<u>(584)</u>	<u>(3,663)</u>	<u>(7,354)</u>	<u>(7,675)</u>

Loans receivable

The Group classifies loans receivable into three stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that loans receivable has increased significantly since initial recognition.

The three stages are defined as follows:

- Stage 1: A financial asset of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month expected credit losses is recognised as loss allowance.
- Stage 2: A financial asset with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime expected credit losses is recognised as loss allowance.
- Stage 3: A financial asset is considered to be credit-impaired as at statement of financial position date. The amount equal to lifetime expected credit losses is recognised as loss allowance. Refer to Note 2(j)(i) for the definition of credit-impaired financial assets.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued*Expressed in RMB unless otherwise indicated***31 Financial risk management and fair values of financial instruments—continued****(a) Credit risk—continued***Loans receivable—continued*

The assessment of significant increase since initial recognition in the credit risk is performed at least on a quarterly basis for financial assets held by the Group. The Group takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significantly change in credit risk for the purposes of classifying financial assets. In determining whether credit risk of a financial asset has increased significantly since initial recognition, the Group considers factors indicating whether the probability of default has risen sharply, whether the financial asset has been past due.

Impairment assessment

Generally, a financial asset is considered to be credit-impaired if:

- It has been overdue for more than 30 days;
- In light of economic, legal or other factors, the Group has made concessions to a customer in financial difficulties, which would otherwise have been impossible under normal circumstances;
- The customer is probable to be insolvent or carry out other financial restructurings;
- Due to serious financial difficulties, the financial asset cannot continue to be traded in an active market;
- There are other objective evidences that the financial asset is impaired.

Movement in the loss allowance account in respect of loans receivable during the year is as follows:

	December 31, 2017			Total
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	
As at January 1, 2017	—	—	—	—
Transferred:				
—to 12-months ECL	—	—	—	—
—to lifetime ECL not credit-impaired	—	—	—	—
—to lifetime ECL credit-impaired	—	—	—	—
Charge for the year	3,028	—	15,096	18,124
Write-offs	—	—	—	—
Recoveries	—	—	—	—
As at December 31, 2017	<u>3,028</u>	<u>—</u>	<u>15,096</u>	<u>18,124</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

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31 Financial risk management and fair values of financial instruments—continued

*(a) Credit risk—continued**Impairment assessment—continued*

	December 31, 2018			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at January 1, 2018	3,028	—	15,096	18,124
Transferred:				
—to 12-months ECL	—	—	—	—
—to lifetime ECL not credit-impaired	—	—	—	—
—to lifetime ECL credit-impaired	(480)	—	480	—
(Reversal)/charge for the year	(2,487)	—	2,548	61
Write-offs	—	—	(18,124)	(18,124)
Recoveries	—	—	—	—
As at December 31, 2018	<u>61</u>	<u>—</u>	<u>—</u>	<u>61</u>
	December 31, 2019			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at January 1, 2019	61	—	—	61
Transferred:				
—to 12-months ECL	—	—	—	—
—to lifetime ECL not credit-impaired	—	—	—	—
—to lifetime ECL credit-impaired	(9)	—	9	—
Charge for the year	54	—	305	359
Write-offs	—	—	(314)	(314)
Recoveries	—	—	—	—
As at December 31, 2019	<u>106</u>	<u>—</u>	<u>—</u>	<u>106</u>
	September 30, 2020			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at January 1, 2020	106	—	—	106
Transferred:				
—to 12-months ECL	—	—	—	—
—to lifetime ECL not credit-impaired	—	—	—	—
—to lifetime ECL credit-impaired	—	—	—	—
Charge for the period	211	—	23	234
Write-offs	—	—	(23)	(23)
Recoveries	—	—	—	—
As at September 30, 2020	<u>317</u>	<u>—</u>	<u>—</u>	<u>317</u>

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31 Financial risk management and fair values of financial instruments—continued

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient cash to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at December 31, 2017					Carrying amounts in the consolidated statement of financial position
	contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	8,628	—	—	—	8,628	8,628
Bank loans	9,748	—	—	—	9,748	9,550
Lease liabilities	21,622	8,390	1,020	—	31,032	28,965
Accrued expenses and other current liabilities	66,056	—	—	—	66,056	66,056
	<u>106,054</u>	<u>8,390</u>	<u>1,020</u>	<u>—</u>	<u>115,464</u>	<u>113,199</u>
	As at December 31, 2018					Carrying amounts in the consolidated statement of financial position
	contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	9,198	—	—	—	9,198	9,198
Bank loans	30,663	—	—	—	30,663	30,000
Lease liabilities	22,924	8,038	1,851	—	32,813	30,657
Accrued expenses and other current liabilities	91,207	—	—	—	91,207	91,207
Convertible loan	100,000	—	—	—	100,000	99,696
	<u>253,992</u>	<u>8,038</u>	<u>1,851</u>	<u>—</u>	<u>263,881</u>	<u>260,758</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

31 Financial risk management and fair values of financial instruments—continued

(b) Liquidity risk—continued

	As at December 31, 2019 contractual undiscounted cash outflow					Carrying amounts in the consolidated statement of financial position RMB'000
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade payables	39,542	—	—	—	39,542	39,542
Lease liabilities	59,922	46,495	84,482	—	190,899	165,643
Accrued expenses and other current liabilities	124,075	—	—	—	124,075	124,075
	<u>223,539</u>	<u>46,495</u>	<u>84,482</u>	<u>—</u>	<u>354,516</u>	<u>329,260</u>
	As at September 30, 2020 contractual undiscounted cash outflow					Carrying amounts in the consolidated statement of financial position RMB'000
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade payables	45,166	—	—	—	45,166	45,166
Lease liabilities	54,303	44,018	57,052	—	155,373	136,115
Accrued expenses and other current liabilities	102,063	—	—	—	102,063	102,063
	<u>201,532</u>	<u>44,018</u>	<u>57,052</u>	<u>—</u>	<u>302,602</u>	<u>283,344</u>

In addition to the above maturity profile of the Group's financial liabilities, the Company has an obligation to redeem all redeemable convertible preferred shares at the redemption price of each series, if a qualified IPO is not consummated before the revised redemption date, i.e., September 11, 2021. In November 13, 2020, the shareholders agreed to further extend such date to July 1, 2022 should the Company submit a Form A1 with the Stock Exchange on or prior to December 31, 2020. The maximum undiscounted contractual redemption payment associated with redeemable convertible preferred shares as at September 30, 2020 was approximately RMB1,873 million.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from borrowings. The interest risk arising from financial assets at fair value through profit or loss and loans receivable is not significant due to the short-term maturity of these financial instruments. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The Group's interest-bearing liabilities at December 31, 2017, 2018, 2019 and September 30, 2020 are all fixed rate borrowings. Thus, the Group is not exposed to significant cash flow interest rate risk during the Track Record Period.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

31 Financial risk management and fair values of financial instruments—continued

(d) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities functional currency. The functional currency of the Company and the subsidiaries operated in the PRC are RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimise these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary.

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 denominated in the currencies other than the respective functional currencies of the Group's entities.

(e) Fair value measurement

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

	As at December 31,			As at
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Level 3				
Assets				
—Trust plans(i)	33,000	50,000	—	538,147
—Wealth management products(i)	3,120	497,354	545,695	168,132
—Unlisted equity securities(ii)	3,542	10,442	3,542	3,542
	<u>39,662</u>	<u>557,796</u>	<u>549,237</u>	<u>709,821</u>
Liabilities				
—Redeemable convertible preferred shares(iii)	1,282,256	1,913,679	2,081,145	2,174,921
—Convertible loan(iii)	—	99,696	—	—
	<u>1,282,256</u>	<u>2,013,375</u>	<u>2,081,145</u>	<u>2,174,921</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued*Expressed in RMB unless otherwise indicated***31 Financial risk management and fair values of financial instruments—continued***(e) Fair value measurement—continued**Fair value hierarchy—continued*

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

*Valuation techniques and inputs used in Level 3 fair value measurement :***(i) Trust plans and wealth management products**

The carrying amount of trust plans and wealth management products are measured at fair values in the consolidated statements of financial position as of December 31, 2017, 2018, 2019 and September 30, 2020. The Group determines the fair value of trust plans and wealth management products by using discounted cash flow models. The un-observable inputs are expected annual return rate fixed in the investment contracts. These expected annual return rates ranged from 4.5% to 8.0%, 3.5% to 5.5%, 2.5% to 4.5%, and 2.3% to 5.5% as of December 31, 2017, 2018, 2019 and September 30, 2020.

As of December 31, 2017, 2018, 2019 and September 30, 2020, it is estimated that with all other variables held constant, an increase/decrease of expected annual return rate by 1% would have decreased/increased the Group's loss before taxation by RMB0.36 million, RMB5.44 million, RMB5.44 million and RMB7.06 million, respectively.

The movements of trust plans and wealth management products during the Track Record Period in the balance of these Level 3 fair value measurements are as follows:

	As at December 31,			As at
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
At the beginning of the year/period	173,847	36,120	547,354	545,695
Addition	296,217	3,208,690	7,568,317	5,476,490
Disposal	(441,523)	(2,712,239)	(7,579,971)	(5,334,127)
Change in fair value	7,579	14,783	9,995	18,221
At the end of the year/period	36,120	547,354	545,695	706,279

(ii) Equity securities

The carrying amount of equity securities are measured at fair values in the consolidated statements of financial position as of December 31, 2017, 2018, 2019 and September 30, 2020. The Group's equity securities are investments in unlisted companies. The Group determines the fair value by reference to the recent transaction pricing for the entities or similar transactions in similar entities in same industry.

As of December 31, 2017, 2018, 2019 and September 30, 2020, it is estimated that with all other variables held constant, an increase/decrease in the fair values of equity securities by 1% would have decreased/increased the Group's loss before tax by RMB0.04 million, RMB0.10 million, RMB0.04 million and RMB 0.04 million respectively.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

31 Financial risk management and fair values of financial instruments—continued

(e) Fair value measurement—continued

Valuation techniques and inputs used in Level 3 fair value measurement—continued:

(ii) Equity securities—continued

The movements of unlisted equity securities during the Track Record Period in the balance of these Level 3 fair value measurements are as follows:

	As at December 31,			As at
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
At the beginning of the year/period	—	3,542	10,442	3,542
Addition	3,542	6,900	—	—
Change in fair value	—	—	(6,900)	—
At the end of the year/period	3,542	10,442	3,542	3,542
Net unrealised gains for the year/period.	—	—	(6,900)	—

(iii) Redeemable preferred shares and convertible loan

The Group adopted an equity allocation model to estimate the fair value of the convertible loan as of December 31, 2018 and the redeemable preferred shares as of December 31, 2017, 2018 and 2019 and September 30, 2020 (see Note 27).

If the expected volatility applied to the cash flow projections had been 1% lower or higher than management's estimation as at December 31, 2017, the value of the redeemable preferred shares would exceed its fair value listed by the amounts listed in the table below:

	As at December 31, 2017
	RMB'000
Expected volatility decrease 1%	(3,307)
Expected volatility increase 1%	3,322

If the discount rate applied to the cash flow projections had been 1% lower or higher than management's estimation as at December 31, 2018, and 2019 and September 30, 2020 respectively, the value of redeemable preferred shares would exceed its fair value by the amounts listed in table below:

	As at December 31,		As at
	2018	2019	September 30,
	RMB'000	RMB'000	2020
			RMB'000
Discount rate decrease 1%	44,684	93,191	70,477
Discount rate increase 1%	(15,295)	(52,926)	(57,338)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued*Expressed in RMB unless otherwise indicated***31 Financial risk management and fair values of financial instruments—continued***(e) Fair value measurement—continued**Valuation techniques and inputs used in Level 3 fair value measurement—continued:*

(iii) Redeemable preferred shares and convertible loan—continued

If the expected volatility applied to the cash flow projections had been 1% lower or higher than management's estimation as at December 31, 2018, the value of convertible loan would exceed its fair value by the amounts listed in the table below:

	As at December 31, 2018
	RMB'000
Expected volatility decrease 1%	(208)
Expected volatility increase 1%	358

The movements of the convertible loan during the Track Record Period are set out in Note 26.

The movements of redeemable preferred shares during the Track Record Period in the balance of these Level 3 fair value measurements are as follows:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	1,026,882	1,282,256	1,913,679	2,081,145
Insurance of preferred shares	—	485,100	—	—
Converted from convertible loan	—	—	91,293	—
Change in fair value	255,374	146,323	76,173	93,776
At the end of the year/period	1,282,256	1,913,679	2,081,145	2,174,921

32 Commitments*Repurchase commitments*

In 2017, the Group entered into certain pilot business to provide risk analytics service as well as repurchase commitments to micro loan investors upon the borrowers' default. While assuming repurchase responsibilities, the Group also received cash collateral at certain percentage of the outstanding loans from the third party lending intermediaries that referred such micro loans to the investors and the third party lending intermediaries also committed full amount repurchase from the Group in the event of default. The Group evaluated the pass due and loss patterns of the underlying loan portfolio as well as the collaterals on hand and then accounted for the repurchase commitments at fair value in accrued expenses and other liabilities. The balance of the outstanding loans under the above arrangements as of December 31, 2017, 2018 and 2019 and September 30, 2020 were RMB49,290,000, RMB125,000, nil and nil, and the fair value of the Group's repurchase commitments for the loans was not material at each of the respective dates.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

33 Business combinations

On November 30, 2017, the Group acquired 70% shares from the founders of Liming. The results of Liming's operations have been included in the consolidated financial statements since that date. Liming engages in providing brokerage services to insurance company. A cash consideration of RMB45,500,000 has been transferred to acquire the business. As a result of the acquisition, the Group is expected to expand insurance brokerage business.

The acquired business contributed revenue of RMB5,930,000 and loss of RMB3,785,000 to the Group for the period from November 30, 2017 to December 31, 2017.

The acquisition related cost incurred in this transaction was included in general and administrative expenses and the amount was inconsequential.

- (a) The following table summarises the consideration transferred to acquire Liming and the amounts of identified assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest in Liming at the acquisition date:

	November 30, 2017
	RMB'000
Fair value of consideration transferred	
Cash	45,500
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	7,040
Restricted cash	5,000
Property, plant and equipment	4,601
Intangible asset	23,280
Right-of-use assets	9,062
Trade receivables	1,517
Prepaid expense and other assets	5,651
Trade payables	(266)
Contract liabilities	(117)
Lease liabilities	(8,077)
Amount due to Beijing Bairong	(5,000)
Accrued expenses and other current liabilities	(7,725)
Deferred tax liability	(5,820)
Total identifiable net assets	29,146
Fair value of the non-controlling interest in Liming	(17,700)
Goodwill	34,054

The fair value of non-controlling interest of RMB17,700,000 in Liming was estimated by applying a market approach and an income approach. The fair value of measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement.

The goodwill is attributed to the workforce of the acquired business and significant synergies expected to arise after the Group's acquisition of Liming. The goodwill is not expected to be deductible for tax purposes.

The acquired intangible asset is insurance brokerage licence issued by CBIRC. See Note 12.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued*Expressed in RMB unless otherwise indicated***33 Business combinations—continued**

The results of Liming's operations had been included in the Group's consolidated financial statements since the acquisition date. The revenue included in the consolidated income statements from November 30, 2017 to December 31, 2017 contributed by Liming was RMB5,930,000.

Had Liming been consolidated from January 1, 2017, the consolidated income statements would show a revenue of RMB417,527,000 and a loss of RMB369,001,000 for year 2017.

34 Material related party transactions

During the years ended December 31, 2017, 2018 and 2019 and the nine-month periods ended September 30, 2019 and 2020, the Group entered into related party transactions with:

- (i) Union Mobile Financial Technology Co., Ltd. ("Union Mobile"), a company that until February 2018 was able to exercise significant influence over Beijing Bairong.
- (ii) Beijing Ningfu Information Technology Co., Ltd. ("Ningfu"), an associate of Beijing Bairong during the Track Record Period.
- (iii) Beijing Xinbai Information Technology Co., Ltd. ("Xinbai"), a company controlled by a director of Beijing Bairong.
- (iv) The Chief Executive Officer ("CEO").

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group during the Track Record Period is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowances and benefits in kind	1,251	1,829	1,821	1,350	1,399
Discretionary bonuses	252	350	101	76	54
Retirement scheme contributions	36	80	89	67	16
Share-based payments	53	668	1,091	571	961
Key management personnel remuneration	<u>1,592</u>	<u>2,927</u>	<u>3,102</u>	<u>2,064</u>	<u>2,430</u>

(b) The significant related party transactions are summarised as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of sales charged to related parties (1)					
—Union Mobile	33,010	1,412	—	—	—
—Ningfu	450	—	—	—	—

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

Expressed in RMB unless otherwise indicated

34 Material related party transactions—continued

(c) The balances of transactions with related parties:

	As at December 31,			As at
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Prepaid expenses and other current assets				
—Union Mobile (1)	607	—	—	—
—Xinbai (2)	14,505	—	—	—

Notes:

- (1) The cost of revenue from Union Mobile and Ningfu is associated with data service. The Group acquired data from these data service providers.
(2) Represents an interest-free loan lent to Xinbai in 2015, which was unsecured and did not have specific terms of repayment. The interest-free loan was repaid on December 31, 2018.

The balance of transaction with Union Mobile is trade in nature, and balance of transaction with Xinbai is non-trade in nature.

(d) Receiving guarantee from the related party

In 2017, 2018 and 2019, the Group had loans outstanding from a commercial bank in the PRC, and the loans were guaranteed by the CEO of the Company.

(e) Other

In 2017, the Group engaged in data service barter transactions with certain business partners for which the fair value was not determinable and therefore no revenue or expenses derived from these barter transactions were recognised. Under reciprocal contractual agreements, the Group exchanged data with the business partners in order to expand its data assets, and the data provided to and obtained from the business partners were free of charge for both parties. The fair value of the data service was not determinable within reasonable limits since major uncertainties exist about the realisability of the value that would be assigned to the data exchanged under the reciprocal agreements. In addition to the above transactions, the Group was engaged in data service barter transactions in 2017 with certain related parties which the fair value was not determinable and therefore no revenue or expenses derived from these barter transactions were recognised. These transactions involved exchanges data queries between the Group and the counterparties free of charge for both parties under reciprocal contractual agreements. The Group has no longer engaged in barter transactions of such kind since the beginning of 2018.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued*Expressed in RMB unless otherwise indicated***35 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period beginning January 1, 2020**

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period beginning on January 1, 2020 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Group:

The revised and new accounting standards and interpretations but not yet effective for the period from January 1, 2020 are set out below:

	<u>Effective for accounting periods beginning on or after</u>
Amendments to IFRS 16, COVID-19-Related Rent Concessions	June 1, 2020
Amendments to IFRS 3, Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
Amendments to IAS 37, Onerous Contracts — Cost of Fulfilling a Contract	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022
Amendments to IAS 1, Classification of Liabilities as Current or Non-current	January 1, 2023
IFRS 17 Insurance contracts	January 1, 2023

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

36 Subsequent events

Save as disclosed elsewhere in the Historical Financial Information, no significant subsequent events have occurred subsequent to September 30, 2020.

37 COVID-19 Outbreak

After the outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Group prioritises the health and safety of its employees, and has taken various preventative and quarantine measures across the Group soon after the outbreak.

Affected by the COVID-19 outbreak, the business development of financial institutions slowed down in the first half of 2020, resulting in a decline in the demand for big data analytics service and precision marketing services on the overall level. The business and financial performance of the Group have been adversely affected, especially the revenue from data analytics services and precision marketing services. The Group have resumed normal operations and have seen an increase in demand for services since the third quarter of 2020, and the Group will keep continuous attention on the development of the COVID-19 outbreak and assess its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the assessment is still in progress.

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION

The following pre-acquisition financial information of Liming from the beginning of the Track Record Period to the date of acquisition (“Pre-acquisition Period”) presented in accordance with Rule 4.05A of the Listing Rules is disclosed below. The accounting policies adopted in the preparation of the pre-acquisition financial information is consistent with those adopted in the preparation of the Historical Financial Information.

i. Statement of profit or loss

	Note	Period from January 1, 2017 to November 30, 2017
		RMB'000
Revenue	B1	63,522
Cost of sales		<u>(38,673)</u>
Gross profit		24,849
Other income		15
General and administrative expenses		(26,527)
Sales and marketing expenses		<u>(13,327)</u>
Loss from operations		(14,990)
Net finance costs	B2(a)	<u>(496)</u>
Loss before taxation		(15,486)
Income tax expense		<u>(38)</u>
Loss for the period		(15,524)
Other comprehensive income for the period		<u>—</u>
Total comprehensive income for the period		<u>(15,524)</u>

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

ii. Statement of financial position

	Note	As at November 30, 2017 RMB'000
Non-current assets		
Property, plant and equipment	B3	4,601
Right-of-use assets	B4	9,062
Restricted cash	B6(b)	5,000
		<u>18,663</u>
Current assets		
Prepaid expenses and other current assets	B5	5,651
Trade receivables		1,517
Cash and cash equivalents	B6(a)	7,040
		<u>14,208</u>
Current liabilities		
Trade payables		266
Contract liabilities		117
Lease liabilities	B7	4,924
Amount due to Beijing Bairong	B8	5,000
Accrued expenses and other current liabilities	B9	7,725
		<u>18,032</u>
Net current liabilities		<u>(3,824)</u>
Total assets less current liabilities		<u>14,839</u>
Non-current liability		
Lease liabilities	B7	3,153
NET ASSETS		<u>11,686</u>
Equity		
Share capital		50,000
Reserves		(38,314)
TOTAL EQUITY		<u>11,686</u>

iii. Statement of changes in equity

	Paid-in capital RMB'000	Capital reserve RMB'000	Accumulated deficit RMB'000	Total RMB'000
At January 1, 2017	26,000	—	(22,790)	3,210
Changes in equity for the Pre-acquisition Period:				
Loss for the period	—	—	(15,524)	(15,524)
Contribution from shareholders	24,000	—	—	24,000
At November 30, 2017	<u>50,000</u>	<u>—</u>	<u>(38,314)</u>	<u>11,686</u>

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

iv. Cash flow statement

	Note	Period from January 1, 2017 to November 30, 2017 RMB'000
Operating activities		
Net loss		(15,524)
Adjustments for:		
Depreciation of property, plant and equipment	B3	1,409
Depreciation of right-of-use assets	B4	4,071
Finance costs	B2(a)	(496)
Operating loss before changes in working capital		(10,540)
Changes in working capital		
Increase in trade receivables		(1,277)
Increase in prepaid expenses and other current assets		(2,804)
Increase in restricted cash		(5,000)
Increase in amounts due to related parties		5,000
Increase in trade payables		105
Increase in contract liabilities		111
Increase in accrued expenses and other liabilities		1,459
Net cash used in operating activities		(12,946)
Investing activity		
Purchase of property, plant and equipment	B3	(1,350)
Net cash used in investing activity		(1,350)
Financing activities		
Contribution from shareholders		24,000
Payment of lease liabilities		(5,477)
Net cash generated from financing activities		18,523
Net increase in cash and cash equivalents		4,227
Cash and cash equivalents		
at the beginning of the period		2,813
Cash and cash equivalents		
at the end of the period		7,040

Notes to the financial information of Liming:

B1 Revenue

	Period ended November 30, 2017 RMB'000
Life insurance products	57,619
Property and casualty insurance products	5,903
Total revenue	63,522

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

B2 Loss before taxation

(a) Net finance costs

	Period ended November 30, 2017
	RMB'000
Interest expense on lease liabilities	421
Bank charges and others	75
Subtotal	<u>496</u>

(b) Staff cost

	Period ended November 30, 2017
	RMB'000
Salaries, wages and other benefits	16,263
Contributions to defined contribution retirement plan	1,415
Subtotal	<u>17,678</u>

(c) Other items

	Period ended November 30, 2017
	RMB'000
Insurance brokerage commission costs	38,673
Utilities and office expenses	9,258
Depreciation of right-of-use assets	4,071
Travelling and entertainment expenses	3,933
Depreciation of property, plant and equipment	1,409
Other expenses	3,505

B3 Property, plant and equipment

	Electronic equipment RMB'000	Office and other equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost				
As at January 1, 2017	770	1,215	4,232	6,217
Additions	734	176	440	1,350
As at November 30, 2017	<u>1,504</u>	<u>1,391</u>	<u>4,672</u>	<u>7,567</u>
Accumulated depreciation				
As at January 1, 2017	(301)	(236)	(1,020)	(1,557)
Charge for the period	(136)	(244)	(1,029)	(1,409)
As at November 30, 2017	<u>(437)</u>	<u>(480)</u>	<u>(2,049)</u>	<u>(2,966)</u>
Net book value				
As at November 30, 2017	<u>1,067</u>	<u>911</u>	<u>2,623</u>	<u>4,601</u>

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

B4 Right-of-use assets

	As at November 30, 2017
	<u>RMB'000</u>
Cost:	
At January 1, 2017	—
Inception of leases	13,133
Expiration of leases	(4)
At November 30, 2017	<u>13,129</u>
Accumulated depreciation:	
At January 1, 2017	—
Charge for period	(4,071)
Expiration of leases	4
At November 30, 2017	<u>(4,067)</u>
Net book value:	
At November 30, 2017	<u>9,062</u>

B5 Prepaid expenses and other current assets

	As at November 30, 2017
	<u>RMB'000</u>
Prepaid expenses	4,860
Deposits	723
Others	68
Total	<u>5,651</u>

B6 Cash and cash equivalents and restricted cash

(a) Cash and cash equivalents comprise:

	As at November 30, 2017
	<u>RMB'000</u>
Cash at bank	<u>7,040</u>

(b) Restricted cash

	As at November 30, 2017
	<u>RMB'000</u>
Restricted cash	<u>5,000</u>

In accordance with the rules issued by China Banking and Insurance Regulatory Commission (CBIRC), Liming, as an insurance brokerage company, sets aside cash funds as a liquidity reserve. See Note 20(b).

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued**B7 Lease liabilities**

The following table shows the remaining contractual maturities of the Liming's lease liabilities at the end of the reporting periods:

	As at November 30, 2017
	<u>RMB'000</u>
Maturity analysis-contractual undiscounted cash flows	
Within 1 year or on demand	5,327
More than 1 years but less than 2 years	2,793
More than 2 years	<u>717</u>
Total undiscounted lease liabilities	8,837
Less: total future interest expenses	<u>(760)</u>
Present value of lease liabilities	<u>8,077</u>
Lease liabilities included in the consolidated statements of financial position	
Current	4,924
Non-current	<u>3,153</u>
Present value of lease liabilities	<u>8,077</u>

B8 Amount due to Beijing Bairong

	As at November 30, 2017
	<u>RMB'000</u>
Amount due to Beijing Bairong	<u>5,000</u>

As at September 30, 2017, Liming received an interest-free loan from Beijing Bairong.

B9 Accrued expenses and other current liabilities

	As at November 30, 2017
	<u>RMB'000</u>
Accrued expenses	4,877
Accrued payroll and welfare	1,474
Value Added Tax and surcharges payable	1,231
Others	<u>143</u>
Total	<u>7,725</u>

IV SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries comprising the Group in respect of any period subsequent to September 30, 2020.

The information set out in this Appendix does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix I.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible liabilities attributable to equity owners of the Company as if it had taken place on September 30, 2020. This unaudited pro forma statement of 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 financial position of our Group had the Global Offering been completed as at September 30, 2020 or at any future dates.

	Consolidated net tangible liabilities of our Company attributable to equity shareholders of the Company as at September 30, 2020	Estimated net proceeds from the Global Offering	Estimated impact upon the termination of redeemable convertible preferred shares	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share	
	(Note 1) RMB'000	(Note 2) RMB'000	(Note 3) RMB'000	RMB'000	(Note 4) RMB	(Note 5) HK\$
Based on an Offer Price of HK\$26.50 per Share	<u>(1,339,206)</u>	<u>2,622,179</u>	<u>2,174,921</u>	<u>3,457,894</u>	<u>6.98</u>	<u>8.35</u>
Based on an Offer Price of HK\$31.80 per Share	<u>(1,339,206)</u>	<u>3,154,183</u>	<u>2,174,921</u>	<u>3,989,898</u>	<u>8.06</u>	<u>9.64</u>

Notes:

- (1) The consolidated net tangible liabilities attributable to equity shareholders of the Company as at September 30, 2020 is based on the total equity attributable to equity shareholders of the Company of RMB1,287.0 million as at September 30, 2020, as shown in the Accountants' Report as set out in Appendix I, with adjustments for goodwill and intangible assets attributable to equity owners of the Company of RMB21.5 million and RMB30.7 million, respectively.
- (2) The estimated net proceeds from the Global Offering are based on the 123,822,500 Offer Shares expected to be issued under the Global Offering, after deduction of the underwriting fees and related listing expenses, excluding listing expenses of RMB12.4 million which has been accounted for in our consolidated statement of profit or loss during the Track Record Period, and does not take account of any Shares that may be issued upon exercise of Over-allotment Option. The estimated net proceeds from the Global Offering is converted into Renminbi at an exchange rate of HK\$1.196 to RMB1 published by PBOC prevailing on March 12, 2021. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rate or at all.
- (3) The carrying amount of redeemable convertible preferred shares was RMB2,174.9 million as of September 30, 2020 (as set out in Note 27 of Appendix I). Upon the Listing and completion of the Global Offering, all redeemable convertible preferred shares will be converted into Class B shares, preferred rights will be removed, and these redeemable convertible preferred shares will be re-designated from liabilities to equity.
- (4) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share is arrived at after adjustments as described in notes (2) and (3), and on the basis that 495,289,330 Shares were in issue, assuming that the conversion of redeemable preferred shares into ordinary shares, and the Global Offering had completed on September 30, 2020. This does not take into account any Shares which may be issued upon exercise of the Over-allotment Option or any Shares which may be issued under the Share Scheme, and any issuance or repurchase and cancellation of Shares.
- (5) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.196 to RMB1 published by PBOC prevailing on March 12, 2021. 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 or at any other rate at all.
- (6) No adjustment has been made to the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company to reflect any trading results or other transactions of the Group subsequent to September 30, 2020.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF BAIRONG INC.**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Bairong Inc. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at September 30, 2020 and related notes as set out in Part A of Appendix II to the prospectus dated March 19, 2021 ("Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at September 30, 2020 as if the Global Offering had taken place at September 30, 2020. As part of this process, information about the Group's financial position as at September 30, 2020 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the 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.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 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 (“HKSAE”) 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the 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 purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group 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 events or transactions as at September 30, 2020 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

- a) the pro forma financial information has been properly compiled 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 pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants

Hong Kong

March 19, 2021

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

The following is the preliminary financial information of our Group as of and for the year ended December 31, 2020 (“2020 Preliminary Financial Information”), together with comparative figures as of and for the year ended December 31, 2019 and a discussion and analysis of the Group’s financial condition and results of operations. The 2020 Preliminary Financial Information has not been audited and may be subject to adjustments.

BUSINESS REVIEW AND OUTLOOK

We are a leading independent AI-powered technology platform in China serving the financial services industry. We provide services and facilitate transactions through our big data and AI technologies to support the needs of FSPs in pre-lending risk management, post-lending monitoring, NPL management and insurance risk management, enabling them to reduce exposure to fraud and improve their underwriting and risk management effectiveness. We also provide big data marketing and distribution services that enable our FSP clients to reach and serve their target customers more effectively. Our precision marketing services are provided primarily through our proprietary financial product recommendation platform, Banyan, which is a marketplace connecting consumers with suitable financial products provided by our FSP clients. Our insurance distribution services are provided through our Liming technology platform, which provide brokers with data-driven tools and analytics to facilitate efficient and effective insurance sales and customer relationship management.

In 2020, the COVID-19 outbreak has negatively affected China’s financial services industry, which, in turn, has negatively affected our FSP clients’ need for big data analytics services and precision marketing services in 2020. We achieved a gross profit of RMB838.1 million and a loss of RMB109.1 million in 2020. With the pandemic largely under control in the second half of 2020 in China, our business rebounded in the fourth quarter of 2020, as highlighted below:

- Our total revenue decreased by 9.9% in 2020, compared with a 17.1% decrease for the nine months ended September 30, 2020.
- Revenue from our data analytics services increased by 1.8% in 2020, compared with a 8.4% decrease for the nine months ended September 30, 2020.
- Revenue from our precision marketing services decreased by 34.7% in 2020, compared with a 45.1% decrease for the nine months ended September 30, 2020.
- Revenue from our insurance distribution services increased by 1.9% in 2020.

In 2020, we continued to leverage our core database and our data analytics capabilities to support the products and services we provide, which, in turn, generate data insights of large magnitude, enabling us to further enhance our core database and improve our data analytics capabilities. Despite the impact of the COVID-19 outbreak, we were still able to maintain our key operating metrics on a decent level, in particular, metrics around Key FSP clients.

	As of December 31,	
	2019	2020
Cumulative number of paying FSP clients we serve	2,031	2,602

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

	For the Year Ended December 31,	
	2019	2020
Number of paying FSP clients we serve in a given calendar year/period	1,494	1,415
Average revenue of paying FSP clients (RMB in millions)	0.84	0.80
Number of Key FSP clients	196	237
Percentage of revenue contribution by Key FSP clients	73%	86%
Average revenue per client (ARPC) of Key FSP clients (RMB in millions)	4.7	4.1

Notably, the number of our Key FSP clients increased from 196 in 2019 to 237 in 2020 and the percentage of revenue contribution by Key FSP clients increased from 73% in 2019 to 86% in 2020.

In addition to the metrics set forth above, we use Key FSP client retention rate and Key FSP client net dollar expansion rate to measure our ability to retain and grow the Key FSP client base. We had a Key FSP client retention rate of 96% in 2020 and of 89% in 2019. The Key FSP client retention rate is the percentage of the Key FSP clients we have in a given year that we continue to retain during the next twelve months. Also, we achieved a net dollar expansion rate of 92% in 2020 for our Key FSP clients in 2019. Net dollar expansion rate is an indicator for the long-term value of our business relationship with our Key FSP clients and our ability to retain and grow revenue from Key FSP clients. We calculate net dollar expansion rate as a fraction, the denominator of which is the revenue contribution from Key FSP clients in one given year and the numerator of which is the contribution from the same group of Key FSP clients in the following year, expressed as a percentage.

Going forward, we plan to implement the following strategies, which we believe, will further strengthen our core competitive strengths and enable us to capture rising business opportunities:

- *Solidify leadership in technology.* We will continue to invest in technologies and collaborate with top universities and research institutions to develop technologies in AI and big data, invest in our technology infrastructure to support our stable, reliable and scalable services, and broaden our database as we serve more FSPs.
- *Enhance and expand our products and services.* We will continue to work with FSPs and expand our products and offerings to cater to their evolving needs.
- *Further expand our client base and deepen client relationship.* We will further enhance our business development capabilities, further expand our footprint in the financial services industry, and continue to deepen our client relationship by offering more comprehensive products and services covering the entire transaction life cycle.
- *Pursue strategic acquisitions that complement our leadership position.* While we expect this will occur primarily through organic growth, we have acquired and will continue to acquire assets and businesses that strengthen our value proposition to our FSP clients.

See also “Summary—Recent developments” for details of other events which have occurred since the end of the financial year ended December 31, 2020. Save for the below, there is no supplementary information which in the opinion of the Directors is necessary for a reasonable appreciation of the results for the year ended December 31, 2020.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATION RESULTS

Description of Major Components of Our Consolidated Statement of Profit or Loss

The following table sets forth a summary of our consolidated results of operations for 2019 and 2020. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended December 31,	
	2019	2020
	(RMB in thousands) (Unaudited)	
Revenues		
Data analytics services	522,654	532,041
Precision marketing services	404,786	264,505
Insurance distribution services	332,236	338,643
Other services	2,266	1,343
Total revenues	1,261,942	1,136,532
Cost of sales	(290,150)	(298,395)
Gross profit	971,792	838,137
Other income and loss, net	27,390	35,424
Research and development expenses	(216,414)	(201,025)
General and administrative expenses	(221,794)	(199,857)
Sales and marketing expenses	(567,821)	(439,555)
Impairment loss	(4,420)	(517)
(Loss)/profit from operations	(11,267)	32,607
Net finance costs	(10,170)	(10,943)
Changes in fair value of financial assets measured at fair value through profit or loss	(8,600)	(775)
Changes in fair value of convertible loan	8,403	—
Changes in fair value of redeemable convertible preferred shares	(76,173)	(131,486)
Loss before taxation	(97,807)	(110,597)
Income tax benefit	3,667	1,536
Loss for the year	(94,140)	(109,061)
Attributable to:		
Equity shareholders of the Company	(93,165)	(110,555)
Non-controlling interests	(975)	1,494
Total comprehensive income for the year	(94,140)	(109,061)

In 2019, we recorded a net loss of RMB94.1 million, the share-based compensation of RMB39.4 million, a loss on changes in fair value of redeemable convertible preferred shares of RMB76.2 million, a gain on changes in fair value of convertible loan of RMB8.4 million and the listing expense of nil.

In 2020, we recorded a net loss of RMB109.1 million, the share-based compensation of RMB36.7 million, a loss on changes in fair value of redeemable convertible preferred shares of RMB131.5 million, the changes in fair value of convertible loan of nil and the listing expense of RMB20.9 million.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

Comparison of Year Ended December 31, 2020 and 2019

Revenue

Our total revenue decreased by 9.9% from RMB1,261.9 million for the year ended December 31, 2019 to RMB1,136.5 million for the year ended December 31, 2020, primarily due to the negative impact of the COVID-19 outbreak, especially the negative impact on precision marketing services. For details, see “Financial Information—Impact of COVID-19 on Operations.”

Data analytics services

Revenue from our data analytics services increased by 1.8% from RMB522.7 million for the year ended December 31, 2019 to RMB532.0 million for the year ended December 31, 2020. Although we were adversely affected by decline of credit markets in the earlier months of 2020 due to the impact of COVID-19, we achieved year-on-year growth by 1.8% as the demand on our data analytics services rebounded when the COVID-19 outbreak was gradually controlled in China.

Precision marketing services

Revenue from our precision marketing services decreased by 34.7% from RMB404.8 million for the year ended December 31, 2019 to RMB264.5 million for the year ended December 31, 2020, primarily due to (i) the negative impact of the COVID-19 outbreak on the demand for precision marketing services, evident from the decrease of the marketing expenditure of non-bank financial institutions, according to Frost & Sullivan and (ii) the changing government regulations on retail credit facilitation companies that caused some of our FSP clients to adjust their business strategy on personal loans.

Insurance distribution services

Revenue from our insurance distribution services increased by 1.9% from RMB332.2 million for the year ended December 31, 2019 to RMB338.6 million for the year ended December 31, 2020, primarily due to the enhanced business cooperation with insurance companies on multiple types of insurance products, including insurance products which are more popular in a lower interest rate economic environment and health insurance products covering specific pandemic disease risks, as well as benefit from recurring commission revenue from life insurance companies.

Other services

Revenues generated from other services decreased by 43.5% from RMB2.3 million for the year ended December 31, 2019 to RMB1.3 million for the year ended December 31, 2020. Revenue generated from other services primarily include the interest income, services fees and transaction fees we received on the trial-based micro-lending transactions we facilitated or entered into. We consider these micro-lending transactions as trial-based and therefore, we continue to reduce the transaction volume of micro-lending business as we do not plan to further develop or expand this business.

Cost of sales

The cost of sales increased by 2.8% from RMB290.2 million for the year ended December 31, 2019 to RMB298.4 million for the year ended December 31, 2020, primarily attributable to a RMB20.7 million increase in data service costs offset by a RMB15.7 million decrease in insurance brokerage commission costs. The increase in data service cost was primarily due to our increased implementation

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

cost in line with the increased project-based revenue. The decrease in insurance brokerage commission costs was primarily driven by the enlarged insurance premium pool and the increased distribution efficiency.

Gross profit and gross margin

As a result of the foregoing, our overall gross profit decreased by 13.8% from RMB971.8 million for the year ended December 31, 2019 to RMB838.1 million for the year ended December 31, 2020, and our overall gross margin decreased from 77.0% for the year ended December 31, 2019 to 73.7% for the year ended December 31, 2020. The decrease was primarily due to decrease in revenue impacted by COVID-19 and the increase in data costs as a result of our continuous efforts to build and maintain our database.

Research and development expenses

Our research and development expenses decreased by 7.1% from RMB216.4 million for the year ended December 31, 2019 to RMB201.0 million for the year ended December 31, 2020, primarily attributable to a decrease of RMB8.5 million in staff costs and share-based compensation and a decrease of RMB9.2 million in technical service expenditure. The decrease in technical service expenditure was mainly due to a decrease of expenditure related to precision marketing services as compared that in the initial years of Banyan's development.

General and administrative expenses

Our general and administrative expenses decreased by 9.9% from RMB221.8 million for the year ended December 31, 2019 to RMB199.9 million for the year ended December 31, 2020, primarily attributable to a decrease of RMB12.4 million in professional services fee and other corporate-related expenses and a decrease of RMB12.5 million in office expenses, resulting from our efforts to reasonably control expenditures in response to the uncertainty of the COVID-19 impact.

Sales and marketing expenses

Our sales and marketing expenses decreased by 22.6% from RMB567.8 million for the year ended December 31, 2019 to RMB439.6 million for the year ended December 31, 2020, primarily due to a decrease of RMB164.6 million in advertising and information technology services expenses as a result of the decreased demand from precision marketing services and a decrease of RMB7.8 million in office expenses, partially offset by an increase of RMB15.1 million in staff costs.

Other Income and loss, net

Our other income and loss, net increased by 29.2% from RMB27.4 million for the year ended December 31, 2019 to RMB35.4 million for the year ended December 31, 2020, primarily attributable to an increase of RMB9.2 million in investment income from wealth management products and trust plans.

Changes in fair value of redeemable convertible preferred shares

We recorded a loss on changes in fair value of redeemable convertible preferred shares of RMB76.2 million for the year ended December 31, 2019, primarily due to increase in the fair value of redeemable convertible preferred shares in the year ended December 31, 2019.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

We recorded a loss on changes in fair value of redeemable convertible preferred shares of RMB131.5 million for the year ended December 31, 2020, primarily due to increase in the fair value of redeemable convertible preferred shares in the year ended December 31, 2020.

Income Tax Benefit

We had income tax benefit of RMB3.7 million and RMB1.5 million for the years ended December 31, 2019 and 2020, respectively.

Discussion of Certain Items in the Consolidated Statement of Financial Position

Current Assets/Liabilities

The following table sets forth our current assets and liabilities as of the dates indicated:

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2020</u>
	(in thousands of RMB)	
	(Unaudited)	
Current assets		
Prepaid expenses and other current assets	77,634	41,166
Financial assets at fair value through profit or loss	545,695	806,101
Loans receivable	3,430	6,351
Trade receivables	195,994	179,913
Cash and cash equivalents	150,917	41,949
Total current assets	<u>973,670</u>	<u>1,075,480</u>
Current liabilities		
Trade payables	39,542	53,136
Contract liabilities	34,059	39,868
Lease liabilities	49,629	44,896
Accrued expenses and other current liabilities	124,075	142,033
Redeemable convertible preferred shares	2,081,145	—
Total current liabilities	<u>2,328,450</u>	<u>279,933</u>
Net current assets/(liabilities)	<u>(1,354,780)</u>	<u>795,547</u>

We had net current assets of RMB795.5 million as of December 31, 2020, which was primarily attributable to our Financial assets at fair value through profit or loss of RMB806.1 million and trade receivables of RMB179.9 million, partially offset by accrued expenses and other current liabilities of RMB142.0 million and trade payables of RMB53.1 million.

The holders of the redeemable convertible preferred shares agreed to extend the no-IPO redemption date to July 1, 2022. As a result, the redeemable convertible preferred shares were reclassified into non-current liabilities, the amount of redeemable convertible preferred shares recorded as current liabilities as of December 31, 2020 is nil.

Financial assets at fair value through profit or loss

Our current financial assets at fair value through profit or loss represent the financial products in which we invested. These investments include certain low-risk wealth management products and trust plans issued by financial institutions in the PRC. Our current financial assets at fair value through profit or loss were RMB545.7 million and RMB806.1 million as of December 31, 2019 and 2020, respectively. The increase of our investment in financial products was mainly due to the increase of our working capital available as of December 31, 2020 .

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

Trade receivables

Our net trade receivables decreased by 8.2% from RMB196.0 million as of December 31, 2019 to RMB179.9 million as of December 31, 2020, primarily due to enhanced collection management to reduce the percentage of trade receivables over three months from 40% as of December 31, 2019 to 8% as of December 31, 2020.

Trade payables

Our trade payables increased by 34.4% from RMB39.5 million as of December 31, 2019 to RMB53.1 million as of December 31, 2020, primarily due to the growth of data service cost and advertising and information technology services expenditure in the last quarter of year 2020, which resulted in higher balance of trade payables as of December 31, 2020.

Accrued expenses and other current liabilities

Our accrued expenses and other current liabilities increased by 14.4% from RMB124.1 million as of December 31, 2019 to RMB142.0 million as of December 31, 2020, primarily as a result of an increase of RMB13.3 million in accrued payroll and welfare from RMB71.0 million to RMB84.3 million and an increase of RMB5.6 million in Value Added Tax and surcharges payable from RMB8.0 million to RMB13.6 million.

Indebtedness

Our lease liabilities are in relation to properties that we lease for our offices and staff quarters. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,	
	2019	2020
	(in thousands of RMB)	
	(Unaudited)	
Current	49,629	44,896
Non-current	116,014	86,439
Total	165,643	131,335

Our total lease liabilities decreased from RMB165.6 million as of December 31, 2019 to RMB131.3 million as of December 31, 2020, mainly due to the payment of rent according to lease contract in 2020.

Key Financial Ratios

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

	For the Year Ended December 31,	
	2019	2020
Total revenue growth	47.0%	(9.9%)
Data analytics services	28.6%	1.8%
Precision marketing services	49.3%	(34.7%)
Insurance distribution services	102.6%	1.9%
Gross margin ⁽¹⁾	77.0%	73.7%
Net margin ⁽²⁾	(7.5%)	(9.6%)
Gearing ratio ⁽³⁾	1.94	1.95

(1) Gross margin equals gross profit divided by revenues for the period and multiplied by 100%.

(2) Net margin equals (loss)/profit divided by revenues for the period and multiplied by 100%.

(3) Gearing ratio equals total liabilities divided by total assets as of the end of the period.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

We analysed and disclosed the fluctuations reasons of our total revenue growth and gross margin in the section of Comparison of Year Ended December 31, 2020 and 2019.

Our net margin decreased from (7.5%) for the year ended December 31, 2019 to (9.6%) for the year ended December 31, 2020. The decrease was primarily due to (i) the decrease in our gross profit as a result of the decrease in revenue impacted by COVID-19 and (ii) the increase in changes in the fair value of redeemable convertible preferred shares.

DISCLOSURE ABOUT MARKET RISK

See “Financial Information—Market Risk Disclosure” in this prospectus for further information.

CODE ON CORPORATE GOVERNANCE PRACTISES

Since we were not yet listed on the Stock Exchange during the year ended December 31, 2020, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules was not applicable to us during such period. After the Listing, save as disclosed in this document, we will comply with all the code provisions set forth in the Corporate Governance Code.

REVIEW OF OUR PRELIMINARY FINANCIAL INFORMATION

The members of the audit committee have discussed with our management, and reviewed, the 2020 Preliminary Financial Information as set out in the appendix.

The unaudited financial information in respect of our consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2020 as set out in the 2020 Preliminary Financial Information have been agreed by KPMG, the reporting accountants, to the amounts set out in our draft consolidated financial statements for the year following their work under Practise Note 730 (Revised) “Guidance for Auditors Regarding Preliminary Announcement of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the 2020 Preliminary Financial Information.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY’S SHARES

Since we were not yet listed on the Stock Exchange in during the year ended December 31, 2020, this disclosure requirement is not applicable to us.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

2020 PRELIMINARY FINANCIAL INFORMATION

Consolidated statements of profit or loss

	<u>Note</u>	<u>2019</u>	<u>2020</u>
		<u>RMB'000</u>	<u>RMB'000</u>
Revenue	3	1,261,942	1,136,532
Cost of sales		(290,150)	(298,395)
Gross profit		971,792	838,137
Other income and loss, net	4	27,390	35,424
Research and development expenses		(216,414)	(201,025)
General and administrative expenses		(221,794)	(199,857)
Sales and marketing expenses		(567,821)	(439,555)
Impairment loss	5(c)	(4,420)	(517)
(Loss)/profit from operations		(11,267)	32,607
Net finance costs	5(a)	(10,170)	(10,943)
Changes in fair value of financial assets measured at fair value through profit or loss	10	(8,600)	(775)
Changes in fair value of convertible loan		8,403	—
Changes in fair value of redeemable convertible preferred shares	15	(76,173)	(131,486)
Loss before taxation	5	(97,807)	(110,597)
Income tax benefit	6	3,667	1,536
Loss for the year		(94,140)	(109,061)
Attributable to:			
Equity shareholders of the Company		(93,165)	(110,555)
Non-controlling interests		(975)	1,494
Loss for the year		(94,140)	(109,061)
Loss per share			
Basic and diluted (RMB)	8	(3.41)	(4.05)

Consolidated statements of profit or loss and other comprehensive income

	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Loss for the year	(94,140)	(109,061)
Other comprehensive income for the year	—	—
Total comprehensive income for the year	(94,140)	(109,061)
Attributable to:		
Equity shareholders of the Company	(93,165)	(110,555)
Non-controlling interests	(975)	1,494
Total comprehensive income for the year	(94,140)	(109,061)

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

Consolidated statements of financial position

	Note	2019 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		40,681	36,947
Intangible assets		28,971	30,091
Right-of-use assets	9	167,903	129,367
Goodwill		34,054	34,054
Financial assets at fair value through profit or loss	10	3,542	3,542
Deferred tax assets		11,217	12,575
Restricted cash		5,722	5,722
		292,090	252,298
Current assets			
Prepaid expenses and other current assets		77,634	41,166
Financial assets at fair value through profit or loss	10	545,695	806,101
Loans receivable		3,430	6,351
Trade receivables	11	195,994	179,913
Cash and cash equivalents		150,917	41,949
		973,670	1,075,480
Current liabilities			
Trade payables	12	39,542	53,136
Contract liabilities		34,059	39,868
Lease liabilities	14	49,629	44,896
Accrued expenses and other current liabilities	13	124,075	142,033
Redeemable convertible preferred shares	15	2,081,145	—
		2,328,450	279,933
Net current assets/(liabilities)		(1,354,780)	795,547
Total assets less current liabilities		(1,062,690)	1,047,845
Non-current liabilities			
Redeemable convertible preferred shares	15	—	2,212,631
Lease liabilities	14	116,014	86,439
Deferred tax liabilities		6,025	5,847
		122,039	2,304,917
NET LIABILITIES		(1,184,729)	(1,257,072)
Equity			
Share capital		19	19
Treasury shares		—	—
Reserves		(1,201,000)	(1,274,837)
Total equity attributable to equity shareholders of the Company		(1,200,981)	(1,274,818)
Non-controlling interests		16,252	17,746
TOTAL DEFICIT		(1,184,729)	(1,257,072)

NOTES TO THE 2020 PRELIMINARY FINANCIAL INFORMATION

1 Basis of preparation

The 2020 Preliminary Financial Information comprises the Company and its subsidiaries (collectively referred to as the “Group”). The 2020 Preliminary Financial Information is derived from the consolidated financial statements that have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (“IASB”), and also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The 2020 Preliminary Financial Information has been prepared under the going concern basis notwithstanding the fact that total liabilities exceeds the total assets by approximately RMB1,257.07 million as at December 31, 2020.

As of December 31, 2020, the Group recorded a financial liability representing the fair value of redeemable convertible preferred shares amounting to RMB2,212.63 million. The Directors and management of the Company have considered that the preferred rights and the redemption features of these redeemable convertible preferred shares would be terminated upon listing and the preferred shares will be converted into equity, leading to a significant improvement to the net liabilities position. Had the preferred shares been converted into equity, the Company’s net asset position would have been RMB955.56 million as at December 31, 2020. In addition, as disclosed in Note 15, the Company secured an extension of the no-IPO redemption date of the redeemable convertible preferred shares in 2020, and the holders of the redeemable convertible preferred shares agreed to extend the no-IPO redemption date to July 1, 2022. As a result, the redeemable convertible preferred shares were reclassified into non-current liabilities, resulting in a net current assets position as of December 31, 2020. Accordingly, the directors and management of the Company are of the opinion that the Company will continue in operation and be able to settle its liabilities for the foreseeable future, and therefore it is appropriate for the 2020 Preliminary Financial Information to be prepared on a going concern basis.

2 Issued but not yet effective IFRSs

The IASB has issued a number of amendments and new standards which are not yet effective for the year ended December 31, 2020. The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the 2020 Preliminary Financial Information.

	<u>Effective for accounting periods beginning on or after</u>
Amendment to IFRS 16, <i>Covid-19-Related Rent Concessions</i>	June 1, 2020
Amendments to IFRS 3, <i>Reference to the Conceptual Framework</i>	January 1, 2022
Amendments to IAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	January 1, 2022
Amendments to IAS 37, <i>Onerous Contracts—Cost of Fulfilling a Contract</i>	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022
Amendments to IAS 1, <i>Classification of Liabilities as Current or Non-current</i> . . .	January 1, 2023
IFRS 17 <i>Insurance contracts</i>	January 1, 2023

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

2 Issued but not yet effective IFRSs—continued

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

3 Revenue

The principal activities of the Group are providing data analytics services, precision marketing services and insurance distribution services in the PRC.

The amount of each significant category of revenue is as follows:

	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Data analytics services	522,654	532,041
Precision marketing services	404,786	264,505
Insurance distribution services	332,236	338,643
Other services	2,266	1,343
	<u>1,261,942</u>	<u>1,136,532</u>

During the years ended December 31, 2019 and 2020, no customer individually accounted for more than 10% of the Group's total revenue.

Disaggregation of the Group's revenue from contracts with customers by the timing of revenue recognition is set out below:

	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Point-in-time	737,022	603,148
Over-time	524,920	533,384
	<u>1,261,942</u>	<u>1,136,532</u>

Remaining Performance Obligation

The Group has elected the practical expedient not to disclose the information about remaining performance obligations which are part of contracts that have an original expected duration of one year or less and do not disclose the value of remaining performance obligations for contracts in which the Group recognises revenue at the amount to which the Group has the right to invoice.

All of the Group's operating assets are located in the PRC and all of the Company's revenue and operating profits are derived from the PRC during the years ended December 31, 2019 and 2020. Accordingly, no segment analysis based on geographical locations is provided.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

4 Other income and loss, net

	<u>2019</u>	<u>2020</u>
	RMB'000	RMB'000
Investment income from wealth management products	18,529	10,095
Investment income from trust plans	66	17,684
Government grants and others	4,860	5,114
Extra deduction of input VAT	3,935	4,087
Loss on disposal of intangible assets	—	(1,556)
	<u>27,390</u>	<u>35,424</u>

5 Loss before taxation

Loss before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	<u>2019</u>	<u>2020</u>
	RMB'000	RMB'000
Interest expense on bank loans	710	—
Interest expense on lease liabilities	10,547	10,851
Interest income from bank deposits	(1,087)	(690)
Foreign currency exchange loss	—	782
Subtotal	<u>10,170</u>	<u>10,943</u>

(b) Staff cost

	<u>2019</u>	<u>2020</u>
	RMB'000	RMB'000
Salaries, wages and other benefits	306,246	338,799
Contributions to defined contribution retirement plan	22,841	3,634
Equity-settled share-based compensation expenses	39,441	36,718
Termination benefits	2,489	4,013
Subtotal	<u>371,017</u>	<u>383,164</u>

(c) Other items

	<u>2019</u>	<u>2020</u>
	RMB'000	RMB'000
Data service costs	73,446	94,114
Distribution and marketing expenditures	384,466	221,057
Insurance brokerage commission costs	180,767	165,094
Depreciation of property, plant and equipment	15,972	17,990
Amortisation of intangible assets	436	1,305
Depreciation of right-of-use assets	51,398	58,547
Impairment loss		
—Trade receivables	4,061	326
—Loans	359	191
Auditors' remuneration	221	300
Listing expenses	—	20,901

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

6 Income tax in the consolidated statements of profit or loss

(a) Taxation in the consolidated statements of profit or loss:

	2019	2020
	RMB'000	RMB'000
Current tax		
—PRC Enterprise Income Tax (“EIT”) Provision for the year	—	—
Deferred tax		
—Origination of temporary differences	(3,667)	(1,536)
	(3,667)	(1,536)

(b) Reconciliation between tax benefit and accounting loss at applicable tax rates:

	2019	2020
	RMB'000	RMB'000
Loss before taxation	(97,807)	(110,597)
Notional tax on loss before taxation, calculated at the rates applicable in the jurisdictions concerned	(24,452)	(27,649)
Tax effect of preferential tax rate	2,225	(1,565)
Super-deduction of research and development expense	(11,919)	(12,559)
Tax effect of non-deductible expenses	10,342	11,277
Fair value changes in redeemable convertible preferred shares and convertible loans not deductible for tax purpose	16,942	32,871
Tax effect of tax losses and temporary differences not recognised	3,195	(3,911)
Actual income tax benefit	(3,667)	(1,536)

Notes:

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on either income or capital gain, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

The Company’s Hong Kong subsidiaries, incorporated in July 2018, are subject to a profits tax rate of 8.25% for the first HKD2,000,000 of assessable profit and 16.5% for profit exceeding HKD2,000,000. No provision for Hong Kong profits tax was made as the Group had no estimated assessable profit that was subject to Hong Kong profits tax for the years ended December 31, 2019 and 2020.

PRC

Except for Beijing Bairong and Bairong Zhixin (Beijing) Credit Information Co., Ltd. (“Bairong Zhixin”) who enjoy preferential income tax rate, all the other subsidiaries established in the PRC are subject to an income tax rate of 25%, according to the PRC Enterprise Income Tax Law (the “EIT Law”) in the years ended December 31, 2019 and 2020.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
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6 Income tax in the consolidated statements of profit or loss—continued

A “high and new technology enterprise” (“HNTE”) is entitled to a favourable statutory tax rate of 15% and such qualification is reassessed by relevant governmental authorities every three years. In December 2016, Beijing Bairong was qualified as a “high and new technology enterprise” and therefore enjoyed the preferential statutory tax rate of 15% for the years ended December 31, 2019. In December 2019, Beijing Bairong received approval from the tax authority on the renewal of its HNTE status which entitled it to the preferential income tax rate of 15% from January 1, 2020 to December 31, 2022. Bairong Zhixin was subject to an income tax rate of 25% in the year ended December 31, 2019. In December 2020, Bairong Zhixin was qualified as a “high and new technology enterprise” and therefore was entitled to enjoy the preferential income tax rate of 15% from January 1, 2020 to December 31, 2022.

7 Dividends

During the years of 2019 and 2020, no dividends were declared by the entities comprising the Group to its owners.

8 Basic and diluted loss per share

For the purpose of calculating loss per share as a result of the Reorganisation (defined in Note 1 to the Accountants’ Report in Appendix I of the Prospectus) , the number of shares used in the calculation reflects the outstanding shares of the Company as if the Reorganisation took place at the earliest period presented.

The following table sets forth the basic loss per share computation and the numerator and denominator for the years presented:

	2019	2020
	RMB’000	RMB’000
Net loss attributable to equity shareholders of the Company (RMB’000) . . .	(93,165)	(110,555)
Weighted average number of ordinary shares	27,315,353	27,315,353
Basic loss per share attributable to equity shareholders of the Company (in RMB per share)	(3.41)	(4.05)

Basic loss per share is calculated by dividing the net loss attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the years ended December 31, 2019 and 2020.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding and reversing the fair value changes and the share-based compensation cost of the dilutive potential ordinary shares to assume conversion of all dilutive potential ordinary shares. The Company has three categories of potential ordinary shares: preferred shares, share options and convertible loan. For the years ended December 31, 2019 and 2020, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would result in anti-dilution. Accordingly, diluted loss per share for the years ended December 31, 2019 and 2020 were the same as basic loss per share of the respective periods.

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FOR THE YEAR ENDED DECEMBER 31, 2020**

9 Right-of-use assets

	<u>2019</u>	<u>2020</u>
	RMB'000	RMB'000
Cost:		
At January 1,	72,454	223,371
Inception of leases	186,361	20,011
Expiration of leases	(35,444)	(25,300)
At December 31,	<u>223,371</u>	<u>218,082</u>
Accumulated depreciation:		
At January 1,	(39,514)	(55,468)
Charge for year	(51,398)	(58,547)
Expiration of leases	35,444	25,300
At December 31,	<u>(55,468)</u>	<u>(88,715)</u>
Net book value:		
At December 31,	<u>167,903</u>	<u>129,367</u>

10 Financial assets at fair value through profit or loss

	<u>Note</u>	<u>2019</u>	<u>2020</u>
		RMB'000	RMB'000
Non-current			
—Unlisted equity securities	(i)	3,542	3,542
Current			
—Wealth management products	(ii)	545,695	63,005
—Trust plans	(ii)	<u>—</u>	<u>743,096</u>

Notes:

- (i) The unlisted equity securities as at December 31, 2019 and 2020 are shares in private companies incorporated in the PRC principally engaged in non-performing loan management service. One of the investee had ceased operation in 2019, and the fair value was nil as of December 31, 2019; the Company disposed of the investment in 2020. No dividends were received on these investments during the years ended December 31, 2019 and 2020.
- (ii) Wealth management products were issued by commercial banks in the PRC, and the trust plans were operated by licenced trust management companies in the PRC.

11 Trade receivables

	<u>2019</u>	<u>2020</u>
	RMB'000	RMB'000
Trade receivables	203,348	182,746
Less: loss allowance	(7,354)	(2,833)
Trade receivables, net	<u>195,994</u>	<u>179,913</u>

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

11 Trade receivables—continued

Ageing analysis

As of December 31, 2019 and 2020, the ageing analysis of trade receivables, based on the transaction date and net of loss allowance, is as follows:

	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Within 3 months (inclusive)	121,854	167,478
3 months to 6 months (inclusive)	52,397	10,831
6 months to 1 year (inclusive)	24,101	2,931
Over 1 year	4,996	1,506
Less: loss allowance	<u>(7,354)</u>	<u>(2,833)</u>
Trade receivables, net	<u>195,994</u>	<u>179,913</u>

12 Trade payables

	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Amounts due to third parties	<u>39,542</u>	<u>53,136</u>

As of December 31, 2019 and 2020, the ageing analysis of trade payables, based on the invoice date, is as follows:

	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Within 6 months	38,528	48,797
6 months to 1 year	1,014	2,837
1 to 2 years	<u>—</u>	<u>1,502</u>
	<u>39,542</u>	<u>53,136</u>

Trade payables are primarily expected to be settled within one year or are repayable on demand.

13 Accrued expenses and other current liabilities

	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Accrued payroll and welfare	70,961	84,317
Accrued expenses	38,448	39,498
Value Added Tax and surcharges payable	8,049	13,650
Deposit received	5,973	4,050
Others	<u>644</u>	<u>518</u>
Total	<u>124,075</u>	<u>142,033</u>

All of the accrued expenses and other current liabilities are expected to be settled and expensed within one year or are repayable on demand.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

14 Lease liabilities

The following table shows the remaining contractual maturities of the Group’s lease liabilities at the end of the reporting periods:

	2019	2020
	RMB’000	RMB’000
Maturity analysis-contractual undiscounted cash flows		
Within 1 year or on demand	59,922	53,855
More than 1 year but less than 2 years	46,495	43,223
More than 2 years	84,482	51,813
Total undiscounted lease liabilities	190,899	148,891
Less: total future interest expenses	(25,256)	(17,556)
Present value of lease liabilities	165,643	131,335
Lease liabilities included in the consolidated statements of financial position		
Current	49,629	44,896
Non-current	116,014	86,439
Present value of lease liabilities	165,643	131,335
Amounts recognised in profit or loss		
Interest on lease liabilities	10,547	10,851

15 Redeemable convertible preferred shares

On November 26, 2014, Beijing Bairong entered into a shares purchase agreement with certain investors and pursuant to the agreement, on December 8, 2014, Beijing Bairong issued 511,499 Redeemable convertible Series A Preferred Shares (“Former Series A Preferred Shares”) for an aggregated consideration of RMB50,000,000. On January 25, 2015, as approved by the shareholders, Beijing Bairong converted all of its additional paid in capital to ordinary shares and Series A Preferred Shares, on a pro-rata basis, based upon the numbers of ordinary shares held by each holder of ordinary shares and preferred shares (calculated on an as-converted basis). After the conversion, the number of shares held by Series A Preferred Shareholders was 10,024,590.

On April 4, 2015, Beijing Bairong entered into a shares purchase agreement with certain investors and pursuant to the agreement, on April 23, 2015, Beijing Bairong issued 1,108,443 Redeemable convertible Series A+ Preferred Shares (“Former Series A+ Preferred Shares”) for an aggregated consideration of RMB10,000,000.

On September 11, 2015, Beijing Bairong entered into a shares purchase agreement with certain investors and pursuant to the agreement, on December 4, 2015, Beijing Bairong issued 8,024,826 Redeemable convertible Series B Preferred Shares for an aggregated consideration of RMB150,000,000, of which RMB115,289,000 and RMB34,711,000 was received in the year ended December 31, 2015 and 2016, respectively. In addition, Beijing Hongshan Xinyuan Equity Investment Centre purchased 2,674,942 existing ordinary shares from the ordinary shareholders, with an aggregate consideration of RMB50,000,000, which were converted to preferred shares (“Sequoia Preferred Shares”) on December 4, 2015. The terms of the Sequoia Preferred Shares are identical to that of the Redeemable convertible Series B Preferred Shares except for its liquidation preference as described in the paragraph headed “Liquidation Preference” of this note.

The 8,024,826 Redeemable convertible Series B Preferred Shares and 2,674,942 Sequoia Preferred Shares are collectively referred to as “Former Series B Preferred Shares”.

15 Redeemable convertible preferred shares—continued

On June 3, 2016, Beijing Bairong entered into a shares purchase agreement with certain investors and pursuant to the agreement, on June 12, 2016, Beijing Bairong issued 7,350,498 Redeemable convertible Series B+ Preferred Shares for an aggregated consideration of RMB300,000,000. In addition, three other investors purchased 4,042,774 existing ordinary shares from the ordinary shareholders, with an aggregate consideration of RMB110,000,000, which were converted to preferred shares on June 3, 2016. After the conversion, the terms of such preferred shares are identical to that of the Redeemable convertible Series B+ Preferred Shares, except that such shares are not entitled to liquidation preference.

The 7,350,498 Redeemable convertible Series B+ Preferred Shares and 4,042,774 Redeemable convertible Series B+ Preferred Shares are collectively referred to as “Former Series B+ Preferred Shares”.

Pursuant to a share purchase agreement with an investor, Beijing Bairong issued 9,309,405 Redeemable convertible Series C Preferred Shares (“Former Series C Preferred Shares”) in February 2018 for an aggregated consideration of RMB506,600,000, of which RMB485,100,000 was received in the year ended December 31, 2018.

Upon the Reorganisation described in Note 1 to the Accountants’ Report in Appendix I of the Prospectus, the Company issued Series A, A+, B, B+, and C redeemable convertible preferred shares to the same third party investors, effectively exchanging all of their Series A, A+, B, B+, and C redeemable convertible preferred shares of Beijing Bairong into the redeemable convertible preferred shares of the Company. The terms of the preferred shares of the Company substantially mirrored those of the preferred shares of Beijing Bairong. The Series A, A+, B, B+, and C redeemable convertible preferred shares issued in connection with the Reorganisation include 21,927,741 shares issued at par for notional consideration of RMB16,000, and 20,607,737 shares issued for a total notional consideration of RMB889,936,000.

The preferred shareholders issued promissory notes to the Company on June 27, 2019 with notional principal amounts equal to the above total notional consideration of RMB889,952,000. The promissory notes issued by the preferred shareholders served as loan commitments granted by the Company, as Beijing Bairong commits to first pay to the shareholders the cash consideration equal to their investment costs of the preferred shares of Beijing Bairong, which are capped at the notional principal of the promissory notes. Upon drawing down such amounts from Beijing Bairong, the shareholders would be obliged to return such amounts to the Company within 10 business days in the form of repayments for the promissory notes. Though the loans granted under the loan commitment would be interest-free, given that the tenor is within 10 business days, the Company considers the fair value of the loan commitment to be immaterial.

In addition, as described in Note 26 to the Accountants’ Report in Appendix I of the Prospectus, the Company issued 1,837,624 Series C+ redeemable convertible preferred shares to the convertible loan investor of Beijing Bairong on June 27, 2019 upon the conversion of the entire principal of the convertible loan.

In September 23, 2020, the Company approved the surrender of 395,089 Series C redeemable convertible preferred shares by one of the shareholders.

15 Redeemable convertible preferred shares—continued

The key terms of the preferred shares are as follows:

Shareholders' Redemption Rights upon occurrence of specified events

The preferred shares are redeemable by the holders if the Company fails to complete a Qualified IPO prior to a specified no-IPO redemption date or upon occurrence of other specified contingent events. "Qualified IPO" means an initial public offering of the shares of the Company on a stock exchange acceptable to the holders of the preferred shares, provided that the Company's pre-IPO market capitalisation shall be no less than RMB8.5 billion and determined in a manner acceptable to the holders representing at least the majority of the issued and outstanding preferred shares. The initial no-IPO redemption date was September 11, 2020 upon the issue of the preferred shares, and such date was subsequently revised to September 11, 2021 as approved by the holders of the preferred shares on July 6, 2020. In November 13, 2020, the shareholders agreed to further extend such date to July 1, 2022. Upon a redemption triggered by the contingent events stated above, the redemption price shall equal to the following:

- (i) for each Series A Preferred Share, Series A+ Preferred Share and Series B Preferred Share redeemed, the Redemption Price shall be 150% of the original issue Price, plus any declared but unpaid dividends; or
- (ii) for each Series B+ Preferred Share, Series C Preferred Share, Series C+ Preferred Share redeemed, the Redemption Price shall equal to the sum of the original Preferred Shares issue price, plus an amount accruing daily at 10% of the original preferred shares issue price per annum and all declared but unpaid dividends.

Liquidation Preference

In the event of any liquidation including deemed liquidation, dissolution or winding up of the Company, holders of the preferred shares shall be entitled to receive a per share amount equal to the higher of (i) and (ii) below.

- (i) the original preferred shares issue price for the respective series; and
- (ii) the fair market value of the relevant series of preferred shares on the date of liquidation.

Upon completion of the IPO, all preferred rights of the holders of preferred shares will be terminated and the preferred shares will be automatically converted to ordinary shares.

Based on the feature above, the Group designated the above preferred shares as financial liabilities at fair value through profit or loss.

The Group measures each series of the preferred shares at the higher of the present value of the share redemption amount and the fair value as determined using the valuation models as described below.

Valuation

The Group applied the discount cash flow method ("DCF method") to determine the underlying equity value of the Company and used the option-pricing method and equity allocation model to determine the fair value of the Preferred Shares as of December 31, 2019 and 2020.

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15 Redeemable convertible preferred shares—continued

The DCF method involves applying appropriate weighted average cost of capital (“WACC”), to discount the future cash flow forecast to present value. The WACC was determined based on a consideration of the factors including risk-free rate, comparative industry risk, equity risk premium, company size and non-systematic risk factors. The Group also applied a discount for lack of marketability (“DLOM”), which was quantified by the Chaffee’s European put options-pricing model. Under this option-pricing method, which assumed that the put option is struck at the spot price of the stock before the privately held shares can be sold, the cost of the put option was considered as a basis to determine the DLOM.

Key assumptions are set as below:

	<u>2019</u>	<u>2020</u>
WACC	15.96%	15.18%
DLOM	10.00%	10.00%

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Set out below is a summary of certain provisions of the Memorandum and Articles of our Company and of certain aspects of Cayman Islands company law.

A. MEMORANDUM OF ASSOCIATION

The Memorandum of Association of the Company was conditionally adopted on March 16, 2021 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 Cayman Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in “Documents delivered to the Registrar of Companies and available for inspection” in Appendix V.

B. ARTICLES OF ASSOCIATION

The Articles of Association of the Company were conditionally adopted on March 16, 2021 and include provisions to the following effect:

1. Classes of Shares

(a) Share capital

The share capital of the Company consists of Class A Shares and Class B Shares. The capital of the Company at the date of adoption of the Articles is US\$50,000 divided into 500,000,000 Class A Shares of US\$0.00002 each and 2,000,000,000 Class B Shares of US\$0.00002 each.

(b) Weighted voting rights

Subject to the provisions of the Articles of Association, the holders of Class A Shares and Class B Shares shall at all times vote together as one class on all resolutions submitted to a vote by the members. On a poll, each Class A Share shall entitle its holder to ten votes and each Class B Share shall entitle its holder to one vote, provided that each Class A Share and each Class B Share shall entitle its holder to one vote on a poll at a general meeting in respect of a resolution on the following matters:

- (i) any amendment to the Memorandum of Association or the Articles of Association, including the variation of the rights attached to any class of shares;
- (ii) the appointment, election or removal of any independent non-executive Director;
- (iii) the appointment or removal of the auditors; or
- (iv) the voluntary liquidation or winding-up of the Company.

Notwithstanding the foregoing, where a holder of Class A Shares is permitted by the Stock Exchange from time to time to exercise more than one vote per share when voting on a resolution to amend the Memorandum of Association or the Articles of Association, any holder of Class A Shares may elect to exercise such number of votes per share as is permitted by the Stock Exchange, up to the maximum number of votes attached to each Class A Share as set out in the Articles of Association.

The Company shall not take any action (including the issue or repurchase of shares of any class) that would result in (i) the aggregate number of votes entitled to be cast by all holders of Class B Shares

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(for the avoidance of doubt excluding those who are also holders of Class A Shares) present at a general meeting to be less than 10% of the votes entitled to be cast by all members at a general meeting; or (ii) an increase in the proportion of Class A Shares to the total number of shares in issue.

(c) Restrictions on issue of Shares with weighted voting rights

No further Class A Shares shall be issued by the Company, except with the approval of the Stock Exchange and pursuant to (i) an offer to subscribe for shares in the Company made to all the members of the Company pro rata (apart from fractional entitlements) to their existing holdings; (ii) a pro rata issue of shares to all the members of the Company by way of scrip dividends; or (iii) a share subdivision or other similar capital reorganisation, provided that each member of the Company shall be entitled to subscribe for or be issued shares in the same class as the shares then held by him, and further provided that the proposed allotment or issuance will not result in an increase in the proportion of Class A Shares in issue, so that:

- (i) if, under a pro rata offer, any holder of Class A Shares does not take up any part of the Class A Shares or the rights thereto offered to him, such untaken shares or rights shall only be transferred to another person on the basis that such transferred rights will only entitle the transferee to an equivalent number of Class B Shares; and
- (ii) to the extent that rights to Class B Shares in a pro rata offer are not taken up in their entirety, the number of Class A Shares that shall be allotted, issued or granted in such pro rata offer shall be reduced proportionately.

(d) Reduction of Shares with weighted voting rights on repurchase of Shares

In the event the Company reduces the number of Class B Shares in issue through a purchase of its own shares, the holders of Class A Shares shall reduce their voting rights in the Company proportionately, whether through a conversion of a portion of their Class A Shares or otherwise, if the reduction in the number of Class B Shares in issue would otherwise result in an increase in the proportion of Class A Shares to the total number of shares in issue.

(e) Prohibition on variation of terms of shares with weighted voting rights

The Company shall not vary the rights of the Class A Shares so as to increase the number of votes to which each Class A Share is entitled.

(f) Conversion of Class A Shares

Each Class A Share is convertible into one Class B Share at any time by the holder thereof, such right to be exercisable by the holder of the Class A Share delivering a written notice to the Company that such holder elects to convert a specified number of Class A Shares into Class B Shares.

(g) Qualification of holders of shares with weighted voting rights

Class A Shares shall only be held by a Director or a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director. Subject to the Listing Rules or other applicable laws and regulations, each Class A Share shall be automatically converted into one Class B Share upon the occurrence of any of the following events:

- (i) the death of the holder of such Class A Share (or where the holder is a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director, the death of that Director);

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- (ii) the holder of such Class A Share ceasing to be a Director or a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director for any reason;
- (iii) the holder of such Class A Share (or, where the holder is a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director, the Director owning and controlling such vehicle) being deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a Director;
- (iv) the holder of such Class A Share (or, where the holder is a limited partnership, trust, private company or other vehicle wholly-owned and wholly-controlled by a Director, the Director owning and controlling such vehicle) being deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules; or
- (v) the transfer to another person of the beneficial ownership of, or economic interest in, such Class A Share or the control over the voting rights attached to such Class A Share (through voting proxies or otherwise), including by reason that a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director no longer complies with Rule 8A.18(2) of the Listing Rules (in which case the Company and the Director or the limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director must notify the Stock Exchange as soon as practicable with details of the non-compliance), other than (A) the grant of any encumbrance, lien or mortgage over such share which does not result in the transfer of the legal title or beneficial ownership of, or the voting rights attached to, such share, until the same is transferred upon the enforcement of such encumbrance, lien or mortgage, and (B) a transfer of the legal title to such share by a Director to a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by him, or by a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director to such Director or another limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by him.

(h) Cessation of weighted voting rights

All of the Class A Shares in the authorised share capital shall be automatically re-designated into Class B Shares in the event all of the Class A Shares in issue are converted into Class B Shares, and no further Class A Shares shall be issued by the Company.

(i) Shares to rank pari passu

Save and except for the rights, preferences, privileges and restrictions set out in this part B1, the Class A Shares and the Class B Shares shall rank pari passu in all other respects and shall have the same rights, preferences, privileges and restrictions.

2. Directors

(a) Number of Directors

The number of Directors shall not be less than two, and the board of Directors shall consist of not less than one-third and less than one-half of independent non-executive Directors.

(b) Power to allot and issue Shares

Subject to the provisions of the Cayman Companies Act and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased

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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 Cayman Companies Act 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.

(c) 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 Cayman Companies Act expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Act 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.

(d) 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.

(e) 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.

(f) 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).

(g) 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:
 - (i) 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
 - (ii) 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.

(h) 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.

(i) 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 also 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

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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.

A Director need not hold any qualification shares. No Director shall be required to vacate office or be ineligible for re-election or re-appointment as a Director and no person shall be ineligible for appointment as a Director by reason only of his having attained any particular age.

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; or
- (vi) 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.

(j) 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.

(k) 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. A quorum for a duly constituted

meeting of the Directors shall have no less than two Directors, one of which shall be the chairperson of the board of Directors of the Company or his alternate Director (except where the chairperson of the board is not to be counted in the quorum). Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairperson of the meeting shall have a second or casting vote.

3. Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

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 Cayman Companies Act, be varied or abrogated only with (in addition to a special resolution to amend the Memorandum or the Articles) 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 resolution passed at a separate meeting of the holders of the shares of that class by members holding shares representing three-fourths in nominal value of the shares Present (as defined below) and voting at such meeting. For so long as any Class A Share is in issue and unless such change is otherwise required by law or the Listing Rules, (a) any change to the composition of the board of Directors set out in paragraph B2(a) above; (b) any change in the proportion of votes required to pass a resolution of the members, whether as an ordinary resolution or a special resolution or in respect of particular matters or generally; (c) any variation to the number of votes attached to a share of any class, except any such variation arising from a conversion of a Class A Share into a Class B Share pursuant to a voluntary conversion described in paragraph B1(f) above or the operation of the provisions described in paragraph B1(g) above; and (d) any change to the matters in respect of which each Class A Share and each Class B Share shall entitle its holder to one vote on a poll at a general meeting as summarised in paragraph B1(b) above, to the quorum requirements for meetings of Directors as summarised in paragraph B2(k) above or to this provision, shall require the consent in writing of the holders of not less than three-fourths in nominal or par value of the issued Class A Shares. 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.

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.

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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 ratably 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 Cayman Companies Act; 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 Cayman Companies Act, 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 Cayman Companies Act.

6. Special resolution—majority required

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Act, 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.

7. Voting rights

Subject to paragraph B1(b) above and 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 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, 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 chairperson 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.

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, on a one vote per share basis, 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 the resolutions to be added to the meeting agenda 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.

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 Cayman Companies Act.

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 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 Cayman Companies Act 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.

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.

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).

The notice of any general meeting (including a postponed or reconvened meeting pursuant to the Articles) at which Communication Facilities will be utilised (including any Virtual Meeting) must disclose the Communication Facilities that will be used, including the procedures to be followed by any member or other participant of the general meeting who wishes to utilise such Communication Facilities for the purposes of attending and participating in such meeting, including attending and casting any vote thereat.

For the purpose of this Appendix:

- “**Communication Facilities**” means video, video-conferencing, internet or online conferencing applications, telephone or tele-conferencing and/or any other video-communications, internet or online conferencing application or telecommunications facilities by means of which all Persons participating in a meeting are capable of hearing and being heard by each other.
- “**Person**” means any natural person, firm, company, joint venture, partnership, corporation, association or other entity (whether or not having a separate legal personality) or any of them as the context so requires.
- “**Present**” means, in respect of any Person, such Person's presence at a general meeting of members, which may be satisfied by means of such Person or, if a corporation or other non-natural Person, its duly authorised representative (or, in the case of any member, a proxy which has been validly appointed by such member in accordance with the Articles), being: (a) physically present at the meeting; or (b) in the case of any meeting at which Communications Facilities are permitted in accordance with the Articles, including any Virtual Meeting, connected by means of the use of such Communication Facilities.
- “**Virtual Meeting**” means any general meeting of the members at which the members (and any other permitted participants of such meeting, including without limitation the chairman of the meeting and any Directors) are permitted to attend and participate solely by means of Communications Facilities.

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

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- (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 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 postponed:

- (a) the Company shall endeavour to cause a notice of such postponement (which shall be in compliance with the Listing Rules to inform the Shareholders about the reason for postponing such general meeting) to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable (provided that, in the case of a postponement due to a gale warning or black rainstorm warning in force on the day of the general meeting, failure to place or publish such notice shall not affect the automatic postponement of such meeting);
- (b) 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
- (c) 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. If any new business will be transacted at such reconvened meeting, the meeting notice for such reconvened meeting shall comply with the Articles of Association.

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.

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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).

13. Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Act 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.

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.

15. Dividends and other methods of distribution

Subject to the Cayman Companies Act 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.

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.

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.

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.

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 chairperson which shall not be treated as part of the business of the meeting.

Two members of the Company holding not less than one-third of the total voting power of the Company Present shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member Present.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be Present 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 B4 above.

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.

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

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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 Cayman Companies Act, 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 Cayman Companies Act, 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.

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.

C. SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1. Introduction

The Cayman Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Act, 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 June 21, 2018 under the Cayman Companies Act. 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 Cayman Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Act 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 Cayman Companies Act 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 Cayman Companies Act);
- (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 Cayman Companies Act 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 Cayman Companies Act, 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 Cayman Companies Act, 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 Cayman Companies Act 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 part C3 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 Cayman Companies Act 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 Cayman Companies Act 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 Cayman Companies Act 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 Cayman Companies Act 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 Cayman Companies Act 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 Cayman Companies Act 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 Cayman Companies Act 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, ratably 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 Act (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 Act (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 Cayman Companies Act, is available for inspection as referred to in "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VI. 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

Our Company was incorporated under the laws of the Cayman Islands on June 21, 2018 as an exempted company with limited liability. Upon our incorporation, our authorised share capital was US\$50,000 divided into 500,000,000 shares of a par value of US\$0.0001 each.

Our registered office address is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles is set out in Appendix IV.

Our registered place of business in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on November 12, 2020 with the Registrar of Companies in Hong Kong. Ms. Leung Shui Bing has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

2. Changes in share capital of our Company

The following sets out the changes in our Company's issued share capital within the two years immediately preceding the date of this document:

- (a) On August 23, 2019, we issued the following fully paid-up shares with a par value of US\$0.0001 each to the following shareholders

<u>Shareholder</u>	<u>Number of share</u>	<u>Class of share</u>
GeniAI Tech Ltd.	12,963,556	Ordinary
LSBAI TECHNOLOGY INC.	1,181,549	Ordinary
Absolute Capital Limited	2,492,788	Ordinary
IDG-Accel China Growth Fund III L.P.	3,929,821	Ordinary
IDG-Accel China III Investors L.P.	278,597	Ordinary
Max Elegant Limited	1,837,625	Ordinary
Max Elegant Limited	4,349,884	Series B
GCBR Holdings Limited	735,050	Ordinary
GCBR Holdings Limited	1,925,916	Series A
GCBR Holdings Limited	1,122,506	Series B
HH BR-I Holdings Limited	8,098,674	Series A
HH BR-III Holdings Limited	1,108,443	Series A
Tianjin Huaxing Fengrong Technology Development Partnership (L.P.) ...	1,604,965	Series B
BLKR Holdings Limited	1,225,084	Series B
Orient Hg Equity Investment Co., Ltd	1,069,977	Series B
Maggie & Tony Limited	469,254	Series B
Baywise Capital Limited Partnership	368,064	Series B
Sunkiss Capital International Holdings Limited	490,034	Series B
Qianhai Golden Bridge IV LP	5,140,867	Series B+
Wu Capital Limited	4,862,982	Series B+
HH BR-II Holdings Limited	1,389,423	Series B+
CRF Summit Investment Limited	5,634,156	Series C
Waterdrop Investment Limited	3,675,249	Series C
Dynasty Star Ventures Ltd	1,837,624	Series C+

- (b) On August 26, 2019, we repurchased 9,963,556 ordinary shares with a par value of US\$0.0001 each from GeniAI Tech Ltd., which were cancelled.
- (c) On September 23, 2020, Waterdrop Investment Limited surrendered 395,089 Series C Preferred Shares, which were cancelled.
- (d) Share Subdivision.

Save as disclosed above and in “—Resolutions of our Shareholders dated March 16, 2021” below, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this document.

3. Changes in the share capital of members of our Group

A summary of the corporate information and the particulars of our subsidiaries are set out in note 1 to the Accountants’ Report as set out in Appendix I.

The following sets out the changes in the share or registered capital of members of our Group within the two years immediately preceding the date of this document:

- On July 9, 2020, the registered capital of Bairong Zhixiang (Shenzhen) Technology Co., Ltd. was increased from RMB 1,000,000 to RMB 10,000,000.
- On December 14, 2020 and March 3, 2021, the registered capital of Bairong Zhixin (Beijing) Credit Co., Ltd. was increased from RMB 50,000,000 to RMB 200,000,000, and from RMB 200,000,000 to RMB 250,000,000, respectively.

Save as disclosed above, there has been no alteration in the share capital of any member of our Group within the two years immediately preceding the date of this document.

4. Resolutions of our Shareholders dated March 16, 2021

Resolutions of our Shareholders were passed on March 16, 2021, pursuant to which, in summary, among others, conditional upon the conditions of the Global Offering (as set out in this document) being fulfilled:

- (a) all of the then ordinary shares of par value US\$0.0001 and Pre-IPO Preferred Shares, whether issued or unissued (save and except for 100,000,000 ordinary shares of par value US\$0.0001 (including those held by Genisage Tech Inc.)) be re-designated and re-classified as class B ordinary shares of US\$0.0001 each on a one-for-one basis; and 100,000,000 then ordinary shares of par value US\$0.0001 (including those held by Genisage Tech Inc.) be re-designated and re-classified as class A ordinary shares of US\$0.0001 each on a one-for-one basis (the “**Re-designation and Re-classification**”);
- (b) immediately following the Re-designation and Re-classification, each of the 500,000,000 authorised (whether issued or unissued) shares of par value of US\$0.0001 each be subdivided into five shares with a par value of US\$0.00002 each;
- (c) the Memorandum and the Articles were approved and adopted effective conditional on and immediately prior to the Listing on the Listing Date;
- (d) the Global Offering, Listing and Over-allotment Option were approved, and our Directors were authorised to negotiate and agree the Offer Price and to allot and issue the Offer Shares (including pursuant to the Over-allotment Option);

- (e) a general mandate (the “**Sale Mandate**”) was granted to our Directors to allot, issue and deal with any Class B Shares or securities convertible into Class B Shares and to make or grant offers, agreements or options which would or might require Class B Shares to be allotted, issued or dealt with, provided that the number of Class B Shares so allotted, issued or dealt with or agreed to be allotted, issued or dealt with by our Directors, shall not exceed 20% of the total number of Shares in issue immediately following completion of the Global Offering;
- (f) a general mandate (the “**Repurchase Mandate**”) was granted to our Directors to repurchase our own Class B Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Class B Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Global Offering;
- (g) the Sale Mandate was extended by the addition to the total number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of the Shares purchased by our Company pursuant to the Repurchase Mandate, provided that such extended amount shall not exceed 10% of the total number of the Shares in issue immediately following completion of the Global Offering; and
- (h) the terms of the 2021 ESOP was approved and adopted with effect from Listing.

Each of the general mandates referred to above will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

5. Explanatory statement on repurchase of our own securities

The following summarises restrictions imposed by the Listing Rules on share repurchases by a company listed on the Stock Exchange and provides further information about the repurchase of our own securities.

Shareholders’ approval

A listed company whose primary listing is on the Stock Exchange may only purchase its shares on the Stock Exchange, either directly or indirectly, if: (i) the shares proposed to be purchased are fully-paid up, and (ii) its shareholders have given a specific approval or general mandate by way of an ordinary resolution of shareholders.

Size of mandate

The exercise in full of the Repurchase Mandate, on the basis of 495,289,330 Class B Shares in issue immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes), could accordingly result in up to approximately 49,528,933 Class B Shares being repurchased by our Company.

The total number of shares which a listed company may repurchase on the Stock Exchange may not exceed 10% of the number of issued shares as at the date of the shareholder approval.

Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Class B Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

Source of funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles and the applicable Laws of the Cayman Islands.

Our Company shall not purchase its own Class B 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.

Any purchases by our Company may be made out of profits or out of an issue of new shares made for the purpose of the purchase or, if authorised by its Memorandum and Articles and subject to the Companies Ordinance, out of capital, and, in the case of any premium payable on the purchase out of profits or from sums standing to the credit of our share premium account or, if authorised by its Memorandum and Articles and subject to the Companies Ordinance, out of capital.

Suspension of repurchase

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

Trading restrictions

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.

A listed company may not repurchase its shares if that 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.

Status of repurchased shares

The listing of all repurchased shares (whether through the Stock Exchange or otherwise) shall be automatically cancelled and the relevant documents of title must be cancelled and destroyed as soon as reasonably practicable.

Close associates and core connected persons

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates have a present intention, in the event the Repurchase Mandate is approved, to sell any Class B Shares to our Company.

No core connected person of our Company has notified our Company that they have a present intention to sell Class B Shares to our Company, or have undertaken to do so, if the Repurchase Mandate is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

Takeover implications

If, as a result of any repurchase of Class B Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, 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.

General

If the Repurchase Mandate were to be carried out in full at any time, there may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would have a material adverse effect on our working capital or gearing position.

Our Directors have undertaken to the Stock Exchange to will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

We have not made any repurchases of our Class B Shares in the previous six months.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this document that are or may be material:

- (a) an exclusive consulting services agreement dated June 27, 2019, entered into between Tianjin Bairong Technology Co., Ltd. (天津百融科技有限公司, "WFOE") and Bairong Yunchuang

Technology Co., Ltd. (百融雲創科技股份有限公司, “**Beijing Bairong**”), pursuant to which Beijing Bairong agreed to receive the sole and exclusive services from WFOE;

- (b) a shareholder voting rights proxy agreement dated June 27, 2019, entered into among (x) Tianjin Bairong Technology Co., Ltd. (天津百融科技有限公司, “**WFOE**”), (y) Zhang Shaofeng (張韶峰), Su Meng (蘇萌), Bai Linsen (柏林森), Xinyu Bulu Weier Internet Investment Partnership (L.P.) (新餘布魯微而互聯網投資合夥企業 (有限合夥)), Zhuhai Gaoling Tiancheng Equity Investment Fund (L.P.) (珠海高瓴天成股權投資基金 (有限合夥)), Guangzhou Zhangsu Investment Consulting Co., Ltd. (廣州掌速投資諮詢有限公司), Shanghai Dezhen Enterprise Management Center (L.P.) (上海德陣企業管理中心 (有限合夥)), Tianjin Bairong Tongchuang Enterprise Management Consulting Center (L.P.) (天津百榮同創企業管理諮詢中心 (有限合夥)), Zhuhai Gaoling Zhiyuan Asset Management Center (L.P.) (珠海高瓴致遠資產管理中心 (有限合夥)), Beijing Oriental Huagai Venture Capital Co., Ltd. (北京東方華蓋創業投資有限公司), Shanghai Huasheng Lingshi Venture Capital Partnership (L.P.) (上海華晟領勢創業投資合夥企業 (有限合夥)), Beijing Hongshan Xinyuan Equity Investment Center (L.P.) (北京紅杉信遠股權投資中心 (有限合夥)), Shenzhen Zhongjin Qianhai Bole No.4 Fund Center (L.P.) (深圳中金前海伯樂四號基金中心 (有限合夥)), Zhuhai Gaoling Xinyuan Asset Management Center (L.P.) (珠海高瓴鑫遠資產管理中心 (有限合夥)), Qingdao Guoxin Shenghua Equity Investment Management Partnership (L.P.) (青島國新晟華股權投資管理合夥企業 (有限合夥)), Shanghai Heyu Investment Management Co., Ltd. (上海合毓投資管理有限公司), Ningbo Shangqi Huijin Culture Investment Center (L.P.) (寧波上奇匯金文化投資中心 (有限合夥)), Ningbo Gaocheng Honghai Investment Partnership (L.P.) (寧波高成泓海投資合夥企業 (有限合夥)), Tianjin Lingli Haijun Enterprise Management Consulting Partnership (L.P.) (天津靈力海俊企業管理諮詢合夥企業 (有限合夥)), Tianjin Bailang Kunrong Enterprise Management Consulting Partnership (L.P.) (天津百郎坤融企業管理諮詢合夥企業 (有限合夥)) (collectively, the “**Shareholders**”), and (z) Bairong Yunchuang Technology Co., Ltd. (百融雲創科技股份有限公司, “**Beijing Bairong**”), pursuant to which the Shareholders consented unconditionally and irrevocably to appoint WFOE or its designated persons to exercise their voting rights and all other shareholder rights in respect of the shares held by them;
- (c) an exclusive purchase option agreement dated June 27, 2019, entered into among (x) Tianjin Bairong Technology Co., Ltd. (天津百融科技有限公司, “**WFOE**”), (y) Bairong Yunchuang Technology Co., Ltd. (百融雲創科技股份有限公司, “**Beijing Bairong**”), and (z) Zhang Shaofeng (張韶峰), Su Meng (蘇萌), Bai Linsen (柏林森), Xinyu Bulu Weier Internet Investment Partnership (L.P.) (新餘布魯微而互聯網投資合夥企業 (有限合夥)), Zhuhai Gaoling Tiancheng Equity Investment Fund (L.P.) (珠海高瓴天成股權投資基金 (有限合夥)), Guangzhou Zhangsu Investment Consulting Co., Ltd. (廣州掌速投資諮詢有限公司), Shanghai Dezhen Enterprise Management Center (L.P.) (上海德陣企業管理中心 (有限合夥)), Tianjin Bairong Tongchuang Enterprise Management Consulting Center (L.P.) (天津百榮同創企業管理諮詢中心 (有限合夥)), Zhuhai Gaoling Zhiyuan Asset Management Center (L.P.) (珠海高瓴致遠資產管理中心 (有限合夥)), Beijing Oriental Huagai Venture Capital Co., Ltd. (北京東方華蓋創業投資有限公司), Shanghai Huasheng Lingshi Venture Capital Partnership (L.P.) (上海華晟領勢創業投資合夥企業 (有限合夥)), Beijing Hongshan Xinyuan Equity Investment Center (L.P.) (北京紅杉信遠股權投資中心 (有限合夥)), Shenzhen Zhongjin Qianhai Bole No.4 Fund Center (L.P.) (深圳中金前海伯樂四號基金中心 (有限合夥)), Zhuhai Gaoling Xinyuan Asset Management Center (L.P.) (珠海高瓴鑫遠資產管理中心 (有限合夥)), Qingdao Guoxin Shenghua Equity Investment Management Partnership (L.P.) (青島國新晟華股權投資管理合夥企業 (有限合夥)), Shanghai Heyu Investment Management Co., Ltd. (上海合毓投資管理有限公司), Ningbo Shangqi Huijin Culture Investment Center (L.P.) (寧波上奇匯金文化投資中心 (有限合夥)), Ningbo Gaocheng Honghai Investment Partnership (L.P.) (寧波高成泓海投資合夥企業 (有限合夥)), Tianjin Lingli Haijun Enterprise Management Consulting Partnership (L.P.) (天津靈力海俊企業管理諮詢合夥企業 (有限合夥)), Tianjin Bailang Kunrong

- Enterprise Management Consulting Partnership (L.P.) (天津百郎坤融企業管理諮詢合夥企業 (有限合夥)) (collectively, the “**Shareholders**”), pursuant to which the Shareholders and Beijing Bairong granted WFOE an exclusive purchase right, whereby WFOE may require the Shareholders to sell all or any part of its shares in Beijing Bairong to WFOE, and/or require Beijing Bairong to sell all or any part of its assets to WFOE;
- (d) an equity pledge agreement dated June 27, 2019, entered into among (x) Tianjin Bairong Technology Co., Ltd. (天津百融科技有限公司, “**WFOE**”), (y) Zhang Shaofeng (張韶峰), Su Meng (蘇萌), Bai Linsen (柏林森), Xinyu Bulu Weier Internet Investment Partnership (L.P.) (新餘布魯微而互聯網投資合夥企業 (有限合夥)), Zhuhai Gaoling Tiancheng Equity Investment Fund (L.P.) (珠海高瓴天成股權投資基金 (有限合夥)), Guangzhou Zhangsu Investment Consulting Co., Ltd. (廣州掌速投資諮詢有限公司), Shanghai Dezhen Enterprise Management Center (L.P.) (上海德陣企業管理中心 (有限合夥)), Tianjin Bairong Tongchuang Enterprise Management Consulting Center (L.P.) (天津百榮同創企業管理諮詢中心 (有限合夥)), Zhuhai Gaoling Zhiyuan Asset Management Center (L.P.) (珠海高瓴致遠資產管理中心 (有限合夥)), Beijing Oriental Huagai Venture Capital Co., Ltd. (北京東方華蓋創業投資有限公司), Shanghai Huasheng Lingshi Venture Capital Partnership (L.P.) (上海華晟領勢創業投資合夥企業 (有限合夥)), Beijing Hongshan Xinyuan Equity Investment Center (L.P.) (北京紅杉信遠股權投資中心 (有限合夥)), Shenzhen Zhongjin Qianhai Bole No.4 Fund Center (L.P.) (深圳中金前海伯樂四號基金中心 (有限合夥)), Zhuhai Gaoling Xinyuan Asset Management Center (L.P.) (珠海高瓴鑫遠資產管理中心 (有限合夥)), Qingdao Guoxin Shenghua Equity Investment Management Partnership (L.P.) (青島國新晟華股權投資管理合夥企業 (有限合夥)), Shanghai Heyu Investment Management Co., Ltd. (上海合毓投資管理有限公司), Ningbo Shangqi Huijin Culture Investment Center (L.P.) (寧波上奇匯金文化投資中心 (有限合夥)), Ningbo Gaocheng Honghai Investment Partnership (L.P.) (寧波高成泓海投資合夥企業 (有限合夥)), Tianjin Lingli Haijun Enterprise Management Consulting Partnership (L.P.) (天津靈力海俊企業管理諮詢合夥企業 (有限合夥)), Tianjin Bailang Kunrong Enterprise Management Consulting Partnership (L.P.) (天津百郎坤融企業管理諮詢合夥企業 (有限合夥)) (collectively, the “**Shareholders**”), and (z) Bairong Yunchuang Technology Co., Ltd. (百融雲創科技股份有限公司, “**Beijing Bairong**”), pursuant to which the Shareholders unanimously pledged 100% of their equity interests held by them in Beijing Bairong in favour of WFOE;
- (e) a loan agreement dated December 1, 2019 entered into between Tianjin Bairong Technology Co., Ltd. (天津百融科技有限公司, “**WFOE**”) and Tianjin Saiji Technology Co., Ltd. (天津賽吉科技有限責任公司), pursuant to which WFOE agreed to provide Tianjin Saiji Technology Co., Ltd. with a loan of up to RMB1,160,616,264;
- (f) a cornerstone investment agreement dated March 17, 2021 entered into between the Company, Cederberg Capital Limited, Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited, CMBC International Capital Limited, and CMBC Securities Company Limited pursuant to which Cederberg Capital Limited agreed to subscribe for Offer Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US\$120 million;
- (g) a cornerstone investment agreement dated March 17, 2021 entered into between the Company, China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司), Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited, CMBC International Capital Limited, and CMBC Securities Company Limited pursuant to which China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) agreed to subscribe for Offer Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US\$58 million;
- (h) a cornerstone investment agreement dated March 17, 2021 entered into between the Company, Franchise Fund LP, Morgan Stanley Asia Limited, China International Capital Corporation Hong

Kong Securities Limited, CMBC International Capital Limited, and CMBC Securities Company Limited pursuant to which Franchise Fund LP agreed to subscribe for Offer Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US\$42 million; and

- (i) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

Save as disclosed below, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or industrial property rights which are or may be material in relation to our business.

Trademarks registered in China


As at the Latest Practicable Date, we had registered the following trademarks in China which we consider to be or may be material to our business:

No.	Trademark	Registered owner	Class	Registration number	Expiry date (yyyy-mm-dd)
1		Beijing Bairong	41	37039211	2029-11-06
		Beijing Bairong	16	37039179	2029-11-06
		Beijing Bairong	38	37037983	2029-11-06
		Beijing Bairong	9	37034553	2029-11-06
		Beijing Bairong	36	37032704	2029-11-06
		Beijing Bairong	28	37032168	2029-11-06
2		Beijing Bairong	9	36989101	2030-03-20
3		Beijing Bairong	35	36958783	2029-11-27
		Beijing Bairong	36	36950151	2029-11-27
4		Beijing Bairong	38	32774094	2029-04-20
		Beijing Bairong	9	32773616	2029-05-13
		Beijing Bairong	35	32760683	2029-04-20
		Beijing Bairong	36	32760677	2029-04-20
		Beijing Bairong	42	32760656	2029-04-13
5		Guangzhou Shurong Internet Micro-lending Co., Ltd	42	37745513	2029-12-20
6		Guangzhou Shurong Internet Micro-lending Co., Ltd	9	35517764	2029-08-06
		Guangzhou Shurong Internet Micro-lending Co., Ltd	42	35512324	2029-08-06
		Guangzhou Shurong Internet Micro-lending Co., Ltd	36	35504563	2029-09-06
		Guangzhou Shurong Internet Micro-lending Co., Ltd	36	30019128	2029-07-13
		Guangzhou Shurong Internet Micro-lending Co., Ltd	36	30019128	2029-07-13

No.	Trademark	Registered owner	Class	Registration number	Expiry date (yyyy-mm-dd)
7	数融榕树	Guangzhou Shurong Internet Micro-lending Co., Ltd	9	30019106	2029-04-20
		Guangzhou Shurong Internet Micro-lending Co., Ltd	41	32250406	2029-04-06
		Guangzhou Shurong Internet Micro-lending Co., Ltd	38	32247675	2029-04-06
		Guangzhou Shurong Internet Micro-lending Co., Ltd	36	32240258	2029-04-06
		Guangzhou Shurong Internet Micro-lending Co., Ltd	42	32237745	2029-04-06
		Guangzhou Shurong Internet Micro-lending Co., Ltd	9	32233891	2029-04-06
		Guangzhou Shurong Internet Micro-lending Co., Ltd	35	32230115	2029-04-06
8	百融至信	Bairong Zhixin (Beijing) Credit Information Co., Ltd.	41, 16, 42, 9, 36, 38, 45, 35	19712464	2027-06-06
9	RONGSHU.CN	Shenzhen Shuqu Information Technology Co., Ltd	42	23743480	2028-09-27
		Shenzhen Shuqu Information Technology Co., Ltd	36	23743478	2028-12-06
		Shenzhen Shuqu Information Technology Co., Ltd	9	23743476	2028-12-06
10	榕树	Shenzhen Shuqu Information Technology Co., Ltd	42	23743475	2028-09-27
		Shenzhen Shuqu Information Technology Co., Ltd	9	23743471	2028-12-06
11	日月保盒	Shandong Riyue Insurance Box Technology Co., Ltd	36	30765271	2029-02-20
12		Shandong Riyue Insurance Box Technology Co., Ltd	36	30754452	2029-02-20
		Shandong Riyue Insurance Box Technology Co., Ltd	36	30748683	2029-02-20

Trademark applications pending in Hong Kong

As at the Latest Practicable Date, we had applied for the registration of the following trademarks in Hong Kong which we consider to be or may be material to our business:

No.	Trademark	Applicant	Class	Application number	Application date (yyyy-mm-dd)
1.		Bairong Inc.	42	305416669	2020-10-14

Copyrights

As at the Latest Practicable Date, we had registered the following computer software copyrights which we consider to be or may be material to our business:

No.	Copyright	Version	Registration number	Registration date (yyyy-mm-dd)
1	Bairong's intelligent voice steward system software (intelligent voice steward) (百融智能語音管家系統軟件 (智能語音管家))	V1.0	2019SR1140455	2019-11-12
2	Bairong's federal learning financial risk control system software (federal learning risk control) (百融聯邦學習金融風控系統軟件 (聯邦學習風控))	V1.0	2020SR0157625	2020-02-20
3	Bairong's rule engine system software (federated learning risk control) (百融規則引擎系統軟件 (聯邦學習風控))	V1.0	2020SR0157632	2020-02-20
4	Bairong's anti-fraud relationship map system software (百融反欺詐關係圖譜系統軟件 (SmartGraph))	V1.0	2020SR0195010	2020-03-02
5	Bairong's financial literacy questionnaire Android version software (financial literacy questionnaire) (百融金融素養分調查問卷安卓版軟件 (金融素養調查問卷))	V1.0	2020SR0385652	2020-04-27
6	Bailong System for on-line management software (system on-line) (百融系統上線管理軟件 (系統上線))	V1.0	2020SR0565089	2020-06-04
7	Bairong's API Gateway Software (API Gateway) (百融API網關軟件 (API網關))	V1.0	2020SR0565081	2020-06-04
8	Bairong's cloud platform software for equipment risk control (risk control cloud platform) (百融設備風控雲平台軟件 (風控雲平台))	V1.0	2020SR0565097	2020-06-04
9	A back-end Pulsar management system for Bairong's Data (Pulsar back-end management) (百融數據Pulsar後台管理系統 (Pulsar後台管理))	V1.0	2020SR0564401	2020-06-04
10	Bairong's insurance service platform software (insurance service platform) (百融保險服務平台軟件 (保險服務平台))	V1.0	2020SR0565119	2020-06-04
11	Bairong's data procurement system software (SRM) (百融數據採購系統軟件 (SRM))	V1.0	2020SR0565112	2020-06-04
12	Bairong's product management system software (product management) (百融產品管理系統軟件 (產品管理))	V1.0	2020SR0565105	2020-06-04
13	Bairong's BI analysis system software (BI analysis) (百融BI分析系統軟件 (BI分析))	V1.0	2020SR0566095	2020-06-04
14	Bairong's model monitoring system software (model monitoring) (百融模型監控系統軟件 (模型監控))	V1.0	2020SR0566103	2020-06-04
15	Bairong's data insight system software (data insight) (百融數據洞察系統軟件 (數據洞察))	V1.0	2020SR0566087	2020-06-04
16	Bairong's distributed configuration management software (百融分佈式配置管理軟件)	V1.0	2020SR0646541	2020-06-18
17	Bairong's customer management system software (百融客戶管理系統軟件)	V1.0	2020SR0580468	2020-06-08
18	Bairong's customer management software (百融客戶管理軟件)	V1.0	2020SR0650580	2020-06-18
19	Bairong's authority management system software (百融權限管理系統軟件)	V1.0	2020SR0580460	2020-06-08
20	Bairong's image recognition and detection system software (image recognition and detection) (百融圖像識別檢測系統軟件 (圖像識別檢測))	V1.0	2019SR1140457	2019-11-12
21	Bairong's pre-loan risk control management software (pre-loan risk control) (百融貸前風控管理軟件 (貸前風控))	V1.0	2019SR1132280	2019-11-08

No.	Copyright	Version	Registration number	Registration date (yyyy-mm-dd)
22	Bairong's during-loan risk control management software (during-loan risk control) (百融貸中風控管理軟件(貸中風控))	V1.0	2019SR1130921	2019-11-08
23	Bairong Yunchuang's speech recognition system software (speech recognition system) (百融雲創語音識別系統軟件(語音識別系統))	V1.0	2019SR0965495	2019-09-18
24	Bairong Yunchuang's speech synthesis system software (speech synthesis system) (百融雲創語音合成系統軟件(語音合成系統))	V1.0	2019SR0965216	2019-09-18
25	Bairong's financial services optical path service system software (Bairong software) (百融金服光道服務系統軟件(百融軟件))	V1.0	2019SR0760371	2019-07-23
26	Bairong's financial services integration API service system software (Bairong software) (百融金服整合API服務系統軟件(百融軟件))	V1.0	2019SR0760383	2019-07-23
27	Bairong's supply chain financial system software (Bairong supply chain finance) (百融供應鏈金融系統軟件(百融供應鏈金融))	V1.0	2019SR0762236	2019-07-23
28	PDF file parsing service software for Bairong's financial services (Bairong software) (百融金服PDF文件解析服務軟件(百融軟件))	V1.0	2019SR0760394	2019-07-23
29	Bairong's financial services delivery system software (Bailong delivery system) (百融金服交付系統軟件(百融交付系統))	V1.0	2019SR0294388	2019-04-01
30	Bairong's data consolidation management system software for financial services enterprises (Bairong's data consolidation management of enterprises) (百融金服企業數據整合管理系統軟件(百融企業數據整合管理))	V1.0	2019SR0227568	2019-03-08
31	Bairong's Agile intelligent risk control and due diligence software for financial services(Bairong's Agile intelligent risk control and due diligence) (百融金服Agile智能風控盡調軟件(百融Agile風控盡調))	V1.0	2019SR0184482	2019-02-26
32	Bairong's Insight internet credit system software for financial services(Bairong's Insight internet credit) (百融金服Insight互聯網信貸系統軟件(百融Insight互聯網信貸))	V1.0	2019SR0184770	2019-02-26
33	Bairong's credit reporting system software for small and micro enterprises of financial services (Bairong's credit reporting of small and micro enterprises) (百融金服小微企業信用報告系統軟件(百融小微企業信用報告))	V1.0	2019SR0183312	2019-02-26
34	Bairong's risk control engine software for individual credit rating system of financial services (Bairong's individual risk control engine) (百融金服個人信用評分體系風控引擎軟件(百融個人風控引擎))	V1.0	2019SR0184466	2019-02-26
35	Bairong's intelligent calling system software for financial services (intelligent calling system) (百融金服智能外呼系統軟件(智能外呼系統))	V1.0	2018SR852012	2018-10-25
36	Bairong's dialogue semantic comprehension system software for financial Services (semantic comprehension system) (百融金服對話語義理解系統軟件(語義理解系統))	V1.0	2018SR852002	2018-10-25
37	Bairong's risk decision engine standard version system software for financial services (risk decision engine) (百融金服風險決策引擎標準版系統軟件(風險決策引擎))	V1.0	2018SR713524	2018-09-05

No.	Copyright	Version	Registration number	Registration date (yyyy-mm-dd)
38	Bairong 's pre-loan decision engine system software for financial services (pre-loan decision engine) (百融金服貸前決策引擎系統軟件 (貸前決策引擎))	V1.0	2018SR330805	2018-05-11
39	Bairong's modelling system software of risk control of cash loan for financial services (Bairong software) (百融金服現金貸風控建模系統軟件 (百融軟件))	V1.0	2018SR329969	2018-05-11
40	Bairong's distributed graphics library software for financial services (Bairong software) (百融金服分佈式圖形庫軟件 (百融軟件))	V1.0	2018SR329960	2018-05-11
41	Bairong's traffic engine system software for financial services (Bairong software) (百融金服流量引擎系統軟件 (百融軟件))	V1.0	2018SR314535	2018-05-08
42	Bairong's internet credit risk control system software for financial services (Bairong software) (百融金服互聯網信貸風控系統軟件 (百融軟件))	V1.0	2018SR314540	2018-05-08
43	Bairong's credit approval accounting system software for financial services (Bairong software) (百融金服信貸審批賬務系統軟件 (百融軟件))	V1.0	2018SR308946	2018-05-07
44	Bairong's intelligent customer services system software for financial services (Bairong software) (百融金服智能客服系統軟件 (百融軟件))	V1.0	2017SR267172	2017-06-15
45	Bairong's group user portrait system software for financial services (Bairong software) (百融金服群體用戶畫像系統軟件 (百融軟件))	V1.0	2017SR267162	2017-06-15
46	Bairong's life insurance user portrait system software for financial services (Bairong software) (百融金服壽險用戶畫像系統軟件 (百融軟件))	V1.0	2017SR264734	2017-06-14
47	Bairong's message queue services system software for financial services (Bairong's MOM software) (百融金服消息總線服務系統軟件 (百融MOM軟件))	V1.0	2017SR264748	2017-06-14
48	Bairong's data interface simulation system software for financial services (Bairong Phantom software) (百融金服數據接口模擬系統軟件 (百融幻影軟件))	V1.0	2017SR264765	2017-06-14
49	Bairong's configuration centre system software for financial services (Bairong software) (百融金服配置中心系統軟件 (百融軟件))	V1.0	2017SR264693	2017-06-14
50	Bairong's data centre system software for financial services (Bairong software) (百融金服數據中心系統軟件 (百融軟件))	V1.0	2017SR264687	2017-06-14
51	Bairong's user evaluation reporting software for financial services (Bairong software) (百融金服用戶評估報告軟件 (百融軟件))	V1.0	2017SR264742	2017-06-14
52	Bairong's credit approval system software for financial services (Bairong's software of financial services) (百融金服信貸審批系統軟件 (百融金服軟件))	V1.0	2017SR242529	2017-06-07
53	Bairong's standard version system software for financial services risk compass (Bairong's risk compass software) (百融金服風險羅盤標準版系統軟件 (百融風險羅盤軟件))	V1.0	2017SR243045	2017-06-07
54	Bairong's anti-fraud software for financial services user assessment equipment (Bairong's software of financial services) (百融金服用戶評估設備反欺詐軟件 (百融金服軟件))	V1.0	2017SR243039	2017-06-07

No.	Copyright	Version	Registration number	Registration date (yyyy-mm-dd)
55	Bairong's rating engine software (Bairong software) (百融評分引擎軟件 (百融軟件))	V1.0	2016SR099837	2016-05-10
56	Bairong's portrait software (Bairong software) (百融畫像軟件 (百融軟件))	V1.0	2016SR099891	2016-05-10
57	Bairong's risk compass system (百融風險羅盤系統)	V1.0	2016SR099159	2016-05-10
58	Bairong's data mining platform software (Bairong software) (百融數據挖掘平台軟件 (百融軟件))	V1.0	2016SR099990	2016-05-10
59	Bairong's data detection system (百融數據測試系統)	V1.0	2016SR097973	2016-05-09
60	Bairong's user financial portrait interface software (Bairong software) (百融用戶金融畫像接口軟件 (百融軟件))	V1.0	2015SR081557	2015-05-14
61	Bairong's credit approval system (Bairong software) (百融信貸審批系統 (百融軟件))	V1.0	2015SR077559	2015-05-08
62	Bairong's billing system software (Bairong software) (百融計費系統軟件 (百融軟件))	V1.0	2014SR190923	2014-12-09
63	ShuQu Banyan borrowing platform (Android version) (ShuQu platform (Android version)) (數趣榕樹借錢平台 (Android版) (數趣平台 (Android版)))	V1.0	2018SR656879	2018-08-17
64	ShuQu Banyan borrowing platform (iOS version) (ShuQu platform (iOS version)) (數趣榕樹借錢平台 (iOS版) (數趣平台 (iOS版)))	V1.0	2018SR656885	2018-08-17
65	Bairong's rule engine basic services product software (Bairong's rule engine software) (百融規則引擎基礎服務產品軟件 (百融規則引擎軟件))	V1.0	2016SR100092	2016-05-10
66	Bairong's distributed scheduling system software (Bairong software) (百融分佈式調度系統軟件 (百融軟件))	V1.0	2016SR099340	2016-05-10
67	Bairong's security agent software (Bairong software) (百融安全代理軟件 (百融軟件))	V1.0	2016SR099993	2016-05-10
68	Bairong's Haina interface access platform (百融海納接口接入平台)	V1.0	2016SR098177	2016-05-09
69	Liming Brokerage core business system (Liming Broker core system) (黎明保險經紀核心業務系統 (黎明經代核心系統))	V1.0	2019SR0326073	2019-04-12
70	A platform for outstanding students (Xueba) (學霸平台 (學霸))	V1.0	2019SR1120901	2019-11-06
71	Liming Box platform (Liming Box) (日月保盒平台 (日月保盒))	V1.0.0	2018SR449468	2018-06-14

As at the Latest Practicable Date, we had registered the following painting copyrights that we consider to be or may be material to our business:

No.	Copyright	Registration number	Classification	Registered owner	Registration date (yyyy-mm-dd)
1	Baixiaorong Corporation cartoon image (百小融企業卡通形象)	國作登字-2019-F-00711975	Art Work 美術作品	Beijing Bairong	2019-01-21
2	Baixiaorong Corporation cartoon image emoji (百小融企業卡通形象表情包)	國作登字-2019-F-00711974	Art Work 美術作品	Beijing Bairong	2019-01-21
3	Da Bao cartoon image (大寶)	國作登字-2018-F-00523117	Art Work 美術作品	Shandong Riyue Insurance Box Technology Co., Ltd	2018-06-19

Patents

As at the Latest Practicable Date, we had registered the following invention related patents which we consider to be or may be material to our business:

No.	Patent	Patent owner	Patent category	Patent number	Registration date (yyyy-mm-dd)
1.	System and method for laterally switching application programmes based on iOS system	Beijing Bairong	Invention patent	2017100283038	2017-01-16
2.	Front-end development engineering system and method	Beijing Bairong	Invention patent	2017100282800	2017-01-16
3.	Internet anti-fraud authentication method based on voiceprint recognition	Beijing Bairong	Invention patent	2017102175358	2017-04-05

Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain name	Registered owner	Registration date (yyyy-mm-dd)	Expiry date (yyyy-mm-dd)
1.	100credit.com	Beijing Bairong	2013-11-02	2026-11-02
2.	100credit.cn	Beijing Bairong	2014-02-17	2025-02-17
3.	bairong.cn	Beijing Bairong	2003-10-08	2026-10-08
4.	baironginc.cn	Beijing Bairong	2018-07-02	2022-07-02
5.	baironginc.com	Beijing Bairong	2018-07-02	2022-07-02
6.	br-airobot.cn	Beijing Bairong	2020-04-28	2021-04-28
7.	br-airobot.com	Beijing Bairong	2020-04-28	2021-04-28
8.	bairongai.cn	Beijing Bairong	2019-08-19	2021-08-19
9.	bairongai.com	Beijing Bairong	2019-08-19	2021-08-19
10.	brgroup.cn	Beijing Bairong	2012-05-03	2022-05-03
11.	brgroup.com	Beijing Bairong	2001-08-31	2022-08-31
12.	rongshu.cn	Shenzhen Shuqu Information Technology Co., Ltd	2003-03-17	2021-03-17
13.	lmbaoxian.com	Liming	2015-06-26	2021-06-26

C. FURTHER INFORMATION ABOUT OUR DIRECTORS**1. Particulars of Directors' service contracts and appointment letters****Executive Directors**

Each of our executive Directors entered into a service contract with our Company on March 16, 2021. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

The executive Directors are not entitled to receive any remuneration in their capacities as executive Directors under their respective service contracts.

Non-executive Directors

Each of our non-executive Directors entered into an appointment letter with our Company on March 16, 2021. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

The non-executive Directors are not entitled to receive any remuneration and benefits in their capacities as non-executive Directors under their respective appointment letters.

Independent non-executive Directors

Each of our independent non-executive Directors entered into an appointment letter with our Company on March 16, 2021. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

The annual director's fees of our independent non-executive Directors payable by us under their respective appointment letters is US\$50,000.

2. Remuneration of Directors

- (a) Save as disclosed above, none of our Directors has or is proposed to have 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).
- (b) The aggregate amount of remuneration paid and benefits in kind granted to our Directors by our Group in respect of the year ended December 31, 2019 was approximately RMB3.8 million.
- (c) Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors by any member of our Group in respect of the years ending December 31, 2021 is approximately RMB5.5 million.

3. Disclosure of interests

Interests and short positions of our Directors in the share capital of our Company or our associated corporations following completion of the Global Offering

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes), the interests or short positions of our Directors and chief executives 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 have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the 'Model Code for Securities Transactions by Directors of Listed Issuers' contained in the Listing Rules, to be notified to our Company and the Stock Exchange are set out below:

Interest in our Company

<u>Name of director</u>	<u>Nature of interest</u>	<u>Number and class of Shares</u>	<u>Approximate % interest in each class of Shares of our Company immediately after the Global Offering⁽¹⁾</u>
Mr. Zhang ⁽²⁾	Interest in a controlled corporation	84,299,615 Class A Shares	100%
	Interest in a controlled corporation	15,000,000 Class B Shares	3.65%
Mr. Zhao Hongqiang	Beneficial owner	800,000 Class B Shares	0.19%
Ms. Zhao Jing	Beneficial owner	341,880 Class B Shares	0.08%
Mr. Bai Linsen	Interest in a controlled corporation	5,907,745 Class B Shares	1.44%

Notes:

- (1) The calculations are made assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes and assuming no Class A Shares are converted into Class B Shares.
- (2) This includes 84,299,615 Class A Shares held by Genisage Tech Inc. and 15,000,000 Class B Shares held by GeniAI Tech Ltd. Genisage Tech Inc. is wholly owned by Genisage Holdings Limited. The entire interest in Genisage Holdings Limited is held through a trust which was established by Mr. Zhang (as settlor) for the benefit of himself and his family. GeniAI Tech Ltd. is wholly owned by RongXing Trust, which is managed by Mr. Zhang and two employees. Mr. Zhang is deemed to be interested in the Class B Shares held by GeniAI Tech Ltd..

Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information, so far as is known to our Directors or chief executive, of each person, other than our Director or chief executive, who immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes) will have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, is, directly or indirectly, interested in 10% or more of the issued voting shares of any class of shares of our Company or any other member of our Group, see “Substantial shareholders”.

D. SHARE SCHEMES**1. 2019 ESOP**

The following is a summary of the principal terms of the 2019 ESOP. The 2019 ESOP does not involve the grant of any share options after Listing and is not subject to Chapter 17 of the Listing Rules.

Purpose

The purpose of the 2019 ESOP is to promote the success and enhance the value of our Company by linking the personal interests of the participants to those of Shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Shareholders. The 2019 ESOP is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of the participants upon whose judgement, interest, and special effort the successful conduct of the Company’s operation is largely dependent.

Eligible participant

Any person, including an officer, a director or a consultant of any member of a Group Entity (as defined therein), who is in the employment of or other contractual relationship with any member of the Group Entity. The Committee may, from time to time, select from among all eligible individuals, those to whom Awards shall be granted and shall determine the nature and amount of each Award (the “**Participant**”). No individual shall have any right to be granted an Award pursuant to this 2019 ESOP.

Maximum number of Class B Shares

The maximum aggregate number of Class B Shares which may be issued pursuant to all awards under the 2019 ESOP shall be 49,817,780 Class B Shares (following the Share Subdivision).

Class B Shares subject to any awards that terminate, expire or lapse for any reason shall again be available for the grant of an award pursuant to the 2019 ESOP. Class B Shares subject to any awards that are forfeited by the participant or repurchased by the Company may again be optioned, granted or awarded under the 2019 ESOP.

Terms and conditions of Options

Exercise price. The exercise price shall be set forth in the Award Agreement which may be a fixed price or a variable price related to the fair market value of the Class B Shares.

Exercise time. The Committee shall determine the time or times for exercise, including exercise prior to vesting; provided that the term shall not exceed ten years. The Committee shall also determine any conditions, if any, that must be satisfied before exercise.

Dismissal for cause. If a Participant's employment by or service to the Group Entity is terminated for cause, their Options will terminate upon, whether or not the Option is then vested and/or exercisable.

Death or disability. If a Participant's employment by or service to the Group Entity terminates as a result of their death or disability: (a) they or their legal representative or beneficiary will have until the date that is 12 months after the Participant's termination of employment to exercise the Participant's Options (or portion thereof) to the extent that such Options were vested and exercisable; (b) the Options, to the extent not vested and exercisable, shall terminate upon their termination; and (c) the Options, to the extent exercisable for the 12 month period following their termination and not exercised during such period, shall terminate thereafter.

Termination other than for cause, death or disability. If a Participant's employment by or service to the Group Entity terminates for any reason other than for cause or because of their death or disability: (a) the Participant will have until 90 days after their termination to exercise their Options (or portion thereof) to the extent that such Options were vested and exercisable; (b) the Options, to the extent not vested and exercisable, shall terminate; and (c) the Options, to the extent exercisable for the 90-day period following their termination and not exercised during such period, shall terminate thereafter.

Terms and conditions of RS and RSUs

Restrictions. An Award Agreements may specify the period of restriction, the number of RS/RSUs granted, and such other terms and conditions as the Committee, in its sole discretion, shall determine. RS shall be held by the Company as escrow agent until the restrictions on such RS have lapsed.

Payment of RSUs. At the time of grant, the Committee shall specify the date(s) on which the RSUs shall become fully vested and nonforfeitable. Upon vesting, the Committee, in its sole discretion, may pay RSUs in the form of cash, shares or a combination thereof.

Awards

The Committee may, from time to time, select from among all eligible individuals, those to whom awards ("**Awards**"), memorialised in an agreement ("**Award Agreement**"), shall be granted and may determine the nature and amount of each Award. Awards may consists of options ("**Options**"), restricted shares ("**RS**"), and/or restricted share units ("**RSU**").

The Committee shall determine the time or times at which an Option may be exercised in whole or in part, including exercise prior to vesting; provided that the term of any Option granted under the 2019 ESOP shall not exceed ten years, except as otherwise provided. The Committee shall also determine any conditions, if any, that must be satisfied before all or part of an Option may be exercised.

The Committee, in its discretion, may set performance objectives or other vesting criteria which, depending on the extent to which they are met, will determine the number or value of the RSUs that will be granted or paid out to the Participants.

Awards are personal

All Awards are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge. Awards will be exercised only by the Participant and amounts payable or shares issuable pursuant to an Award will be delivered only to (or for the account of), and, in the case of Shares, registered in the name of, the Participant.

There are limited exceptions for (i) transfers to the Company or a Subsidiary; (ii) transfers by gift to “immediate family”; (iii) the designation of a beneficiary to receive benefits if the Participant dies or, if the Participant has died, transfers to or exercises by the Participant’s beneficiary, or, in the absence of a validly designated beneficiary, transfers by will or the laws of descent and distribution; (iv) if the Participant has suffered a disability, permitted transfers or exercises on behalf of the Participant by the Participant’s duly authorised legal representative; or (v) as may otherwise be agreed by the Committee.

A Participant may, in the manner determined by the Committee, designate a beneficiary to exercise their rights and to receive any distribution with respect to any Award upon their death.

Adjustment

In the event of any dividend, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, spin-off, recapitalisation or other distribution, or any other change affecting the shares of Shares or the share price of a Share, the Committee shall make such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to (a) the aggregate number and type of shares; (b) the terms and conditions of any outstanding Awards; and (c) the grant or exercise price per share for any outstanding Awards.

Corporate Transactions

A “**Corporate Transaction**” includes: (a) an amalgamation, arrangement or consolidation or scheme of arrangement in which the Company is not the surviving entity or a new shareholder following which the holders of the voting securities of the Company do not continue to hold more than 50% of the combined voting power of the voting securities of the surviving entity; (b) the sale, transfer or other disposition of all or substantially all of the assets of the Company; (c) the complete liquidation or dissolution of the Company; (d) any reverse takeover or series of related transactions culminating in a reverse takeover; or (e) acquisition in a single or series of related transactions by any person or related group of persons of beneficial ownership of securities possessing more than fifty percent (50%) of the total combined voting power of the Company’s outstanding securities.

Upon the anticipated occurrence or occurrence of a Corporate Transaction, the Committee may provide for (i) any and all Awards outstanding hereunder to terminate at a specific time in the future and shall give each Participant the right to exercise the vested portion of such Awards during a period of time as the Committee shall determine, or (ii) the purchase of any Award for an amount of cash equal to the amount that could have been attained upon the exercise of such Award, or (iii) the replacement of such Award with other rights or property, or (iv) payment of such Award in cash based on the value of Shares on the date of the Corporate Transaction plus reasonable interest on the Award through the date as determined by the Committee when such Award would otherwise be vested or have been paid in accordance with its original terms.

In the event of any other change in the capitalisation of the Company or other corporate changes, the Committee may make such adjustments in the number and class of shares subject to Awards outstanding on the date on which such change occurs and in the per share grant or exercise price of each Award as the Committee may consider appropriate to prevent dilution or enlargement of rights.

Administration

The 2019 ESOP shall be administered by the Board or a committee of one or more members of the Board (the “**Committee**”) to whom the Board shall delegate the authority to grant or amend Awards to Participants other than any of the Committee members. Any grant or amendment of Awards to any Committee member shall then require an affirmative vote of a majority of the Board members who are not on the Committee.

The Committee has the exclusive power, authority and discretion to, among others,:

- (a) designate Participants to receive Awards;
- (b) determine the type or types of Awards to be granted to each Participant;
- (c) determine the number of Awards to be granted and the number of Shares to which an Award will relate;
- (d) determine the terms and conditions of any Award granted pursuant to the 2019 ESOP, including, but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, and any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines;
- (e) determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards, or other property, or an Award may be cancelled, forfeited, or surrendered;
- (f) prescribe the form of each Award Agreement, which need not be identical for each Participant;
- (g) decide all other matters that must be determined in connection with an Award;
- (h) establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the 2019 ESOP;
- (i) interpret the terms of, and any matter arising pursuant to, the 2019 ESOP or any Award Agreement;
- (j) reduce the exercise price per Share underlying an Option; and
- (k) make all other decisions and determinations that may be required pursuant to the 2019 ESOP or as the Committee deems necessary or advisable to administer the 2019 ESOP.

Duration

The 2019 ESOP shall become effective on the date of its adoption and shall expire on, and no Award may be granted pursuant to the 2019 ESOP after the tenth anniversary of the effective date. Any Awards that are outstanding on the tenth anniversary of the effective date shall remain in force according to the terms of the 2019 ESOP and the applicable Award Agreement.

Amendment, modification or termination

The Board may terminate, amend or modify the 2019 ESOP; provided, however, that (a) to the extent necessary and desirable to comply with applicable laws or stock exchange rules, the Company shall obtain shareholder approval of any amendment as required and (b) shareholder approval is required for any amendment that (i) increases the number of shares available under the 2019 ESOP (other than due

to any adjustment provided under the 2019 ESOP), or (ii) permits the Committee to extend the term of the 2019 ESOP or the exercise period for an Option beyond ten years from the date of grant. No termination, amendment, or modification of the 2019 ESOP shall adversely affect in any material way any Award previously granted pursuant to the 2019 ESOP without the prior written consent of the Participant.

Outstanding options granted

The overall limit on the number of underlying Class B Shares pursuant to the 2019 ESOP is 49,817,780 Class B Shares (assuming the Share Subdivision is completed). The number of underlying Class B Shares pursuant to the outstanding options granted under the 2019 ESOP amounts to 46,031,490 Class B Shares, representing approximately 9.29% of the issued Shares immediately following completion of the Global Offering (assuming the Share Subdivision is completed, the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes). As at the Latest Practicable Date, we had conditionally granted options to 205 participants under the 2019 ESOP. All the options under the 2019 ESOP were granted between May 20, 2016 and March 9, 2021 (both days inclusive) and our Company will not grant further options under the 2019 ESOP after the Listing. The exercise price of all the options granted under the 2019 ESOP is RMB1.0 (being RMB0.2 per Share after taking into account the Share Subdivision to be completed immediately prior to Listing).

Assuming full vesting and exercise of all options granted under the 2019 ESOP, the shareholding of our Shareholders immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under Share Schemes) will be diluted by approximately 8.5%. The dilution effect on our earnings per Share would be RMB0.02.

Below is a list of the directors, senior management and connected persons who are grantees under the 2019 ESOP:

Name	Role	Address	Date of grant	Vesting period	Exercise price ⁽¹⁾	Number of Class B Shares under the option granted ⁽¹⁾	Approximate % of issued shares immediately after completion of the Global Offering ⁽²⁾	Approximate % of voting rights immediately after completion of the Global Offering ⁽³⁾
Zheng Wei ⁽⁴⁾	Vice President	607#, Building 2, Yard 3, One Sanlihe, Xicheng District, Beijing	December 18, 2017; August 1, 2019	4 years	RMB0.2 per Share	2,355,150	0.48%	0.19%
Zhao Hongqiang	Executive Director; Chief Financial Officer	11-2-1602 Donghuwan West District, No. 8 Lize West Road, Chaoyang District, Beijing, China	April 1, 2018; August 1, 2019	4 years	RMB0.2 per Share	800,000	0.16%	0.06%
Zhao Jing	Executive Director; Finance Vice President	No. 1107, Building 1, No. 2, 15 District, Heping Road, Chaoyang District, Beijing, China	November 21, 2018; November 1, 2019	4 years	RMB0.2 per Share	341,880	0.07%	0.03%
Lin Yun ⁽⁴⁾	Senior Administrative Manager	Room 403, Unit 8, Building 10, Yicuiyuan Community, Lugu Road, Shijingshan District, Beijing	June 1, 2016; April 1, 2018; July 1, 2018	4 years	RMB0.2 per Share	150,000	0.03%	0.01%
Liu Aidi ⁽⁴⁾	Administrative Manager	Room 322, Building 37, Hot Spring Garden, Beiqijia Town, Changping District, Beijing	April 1, 2018, July 1, 2018, November 1, 2019	4 years	RMB0.2 per Share	50,000	0.01%	0.00%

Notes:

- (1) The calculation is made assuming the Share Subdivision is completed and each option is adjusted accordingly.
- (2) The calculation is made assuming the Share Subdivision is completed, the Over-allotment Option is not exercised and no Shares are issued under Share Schemes.
- (3) The calculation is made assuming the Share Subdivision is completed, the Over-allotment Option is not exercised and no Shares are issued under Share Schemes. The percentage takes into account the weighted voting rights of the Class A Shares, which carry 10 votes per share in relation to resolutions at the general meetings of the Company save in respect of the Reserved Matters.
- (4) Connected persons of our Company at the subsidiary level.

Below is a table of options granted to individuals, other than directors, senior management and connected persons, which exceed 340,000 underlying Class B Shares, under the 2019 ESOP:

Name	Role	Address	Date of grant	Vesting period	Exercise price ⁽¹⁾	Number of Class B Shares under the option granted ⁽¹⁾	Approximate % of issued shares immediately after completion of the Global Offering ⁽²⁾	Approximate % of voting rights immediately after completion of the Global Offering ⁽³⁾
Chen Pu	Consultant	9-4-402 Aiminli, West City District, Beijing	March 1, 2016	4 years	RMB0.2 per Share	3,685,775	0.74%	0.29%
Zhao Kaida	Consultant	4-2-7H Gongyuandadao, No. 6 Chaoyang Gongyuan South Road, Chaoyang District, Beijing, China	January 1, 2016	4 years	RMB0.2 per Share	3,307,725	0.67%	0.26%
Duan Ying	Vice President	3-301 Runzeyuexiaoku, Chaoyang District, Beijing, China	January 1, 2016; April 1, 2018; August 1, 2019	4 years	RMB0.2 per Share	2,571,710	0.52%	0.21%
Jian Lihua	Former Vice President	1-1-903A City Xinhai'an, Wangjing Street, Chaoyang District, Beijing, China	January 1, 2016	4 years	RMB0.2 per Share	2,095,615	0.42%	0.17%
Liu Qingyuan	Vice President	6-1-30A, Haofangtianjihuyuan, No. 11008 Beihuan Boulevard, Nanshan, Shenzhen, Guangdong, China	April 1, 2016; April 1, 2018; August 1, 2019	4 years	RMB0.2 per Share	1,600,000	0.32%	0.13%
Zhu Ben	Former Vice President	72-1-1503 Jinxiulongcheng D District, No. 888 Minzudadao, Hongshan District, Wuhan, Hubei, China	January 1, 2016	4 years	RMB0.2 per Share	1,571,715	0.32%	0.13%
Tian Tao	Vice President	11-2-903, Taiyanggong Peninsula International Apartment, Chaoyang District, Beijing, China	June 18, 2019; August 1, 2019	4 years	RMB0.2 per Share	1,035,025	0.21%	0.08%
Fu Zhen	Consultant	30-1003 Baolitianyue, Pazhou, Haizhu District, Guangzhou, Guangdong China	March 7, 2018	4 years	RMB0.2 per Share	1,015,825	0.21%	0.08%
Guan Tianxi	Consultant	1-703, District 7, Meilinhaian, Tianhe District, Guangzhou, Guangdong, China	April 18, 2018	4 years	RMB0.2 per Share	973,500	0.20%	0.08%
Ji Yuan	Former Vice President	8-2-801, Qinghexuefu Shujiayuan 2 nd District, Haidian District, Beijing, China	August 9, 2017; April 1, 2018	4 years	RMB0.2 per Share	659,445	0.13%	0.05%
Han Kuifang	Senior Operations Director	20-2-601, Shuangqiaoshuangliuxinju, Chaoyang District, Beijing, China	April 1, 2018, July 1, 2018, April 1, 2019, November 1, 2019	4 years	RMB0.2 per Share	529,695	0.11%	0.04%
Zou Fenli	Consultant	2602, No. 9 Tianhe Road, Yuexiu District, Guangdong Province, China	April 27, 2018	4 years	RMB0.2 per Share	510,675	0.10%	0.04%
Wang Yutao	Consultant	5-2301, Huayuan Sanlishouke Garden D, Shifengtai District, Beijing, China	March 14, 2016	4 years	RMB0.2 per Share	490,035	0.10%	0.04%
Yang Shouyong	Senior Sales Director	9-8-01, Jiangxinzhou Baoligongguan, Jianye District, Nanjing, Jiangsu Province, China	June 1, 2016; April 1, 2018; July 1, 2018	4 years	RMB0.2 per Share	485,270	0.10%	0.04%
Wu Shiyu	Sales Director	6-1307, Wanboyuan Small District, Youanmen Inner Street, Xiyu District, Beijing, China	June 1, 2016; April 1, 2018	4 years	RMB0.2 per Share	472,025	0.10%	0.04%
Zhu Man	Consultant	F1-1-2604, Vanke Jinyu Lanwan, Wuhan Economic and Technological Development Zone, Hubei Province, China	March 1, 2017	4 years	RMB0.2 per Share	459,390	0.09%	0.04%
Lin Jialin	Former Vice President	7-1903, 383 Lane, Yushan Road, Shanghai, China	January 1, 2016	4 years	RMB0.2 per Share	450,275	0.09%	0.04%

Name	Role	Address	Date of grant	Vesting period	Exercise price ⁽¹⁾	Number of Class B Shares under the option granted ⁽¹⁾	Approximate % of issued shares immediately after completion of the Global Offering ⁽²⁾	Approximate % of voting rights immediately after completion of the Global Offering ⁽³⁾
Chen Chunyang	Joint Company Secretary	No. 263, Hongqi South Road, Nankai District, Tianjin, China	August 30, 2017	4 years	RMB0.2 per Share	400,000	0.08%	0.03%
Shen Yufeng	Senior Director of Risk Management	3-5-703, Shijunhaoting, No. 33 Guangqu Road, Beijing, China	April 1, 2018	4 years	RMB0.2 per Share	400,000	0.08%	0.03%
Liu Hong	Consultant	1-2203, No. 23 Nanbinhe Road, West City District, Beijing, China	May 27, 2016	4 years	RMB0.2 per Share	398,180	0.08%	0.03%
Li Kui	Senior Director of Technology	11-1905 Wanfangerqu, Shifengtai, Beijing, China	June 1, 2016	4 years	RMB0.2 per Share	350,000	0.07%	0.03%

Notes:

- (1) The calculation is made assuming the Share Subdivision is completed and each option is adjusted accordingly.
- (2) The calculation is made assuming the Share Subdivision is completed, the Over-allotment Option is not exercised and no Shares are issued under Share Schemes.
- (3) The calculation is made assuming the Share Subdivision is completed, the Over-allotment Option is not exercised and no Shares are issued under Share Schemes. The percentage takes into account the weighted voting rights of the Class A Shares, which carry 10 votes per share in relation to resolutions at the general meetings of the Company save in respect of the Reserved Matters.

Below is a table of options granted to the remaining grantees interested in fewer than 340,000 underlying Class B Shares, under the 2019 ESOP:

Range of underlying Class B Shares	Number of Grantees	Date of grant	Vesting period	Exercise price ⁽¹⁾	Number of Class B Shares under the option granted ⁽¹⁾	Approximate % of issued shares immediately after completion of the Global Offering ⁽²⁾	Approximate % of voting rights immediately after completion of the Global Offering ⁽³⁾
1-50,000	60	January 1, 2016 – March 9, 2021	4 years	RMB0.2 per Share	1,748,255	0.35%	0.14%
50,001-100,000	57	January 1, 2016 – March 9, 2021	4 years	RMB0.2 per Share	4,596,835	0.93%	0.37%
100,001-150,000	23	January 1, 2016 – March 9, 2021	4 years	RMB0.2 per Share	3,019,645	0.61%	0.24%
150,001-300,000	33	January 1, 2016 – March 9, 2021	4 years	RMB0.2 per Share	7,589,055	1.53%	0.61%
300,001-340,000	6	January 1, 2016 – March 9, 2021	4 years	RMB0.2 per Share	1,918,790	0.39%	0.15%

Notes:

- (1) The calculation is made assuming the Share Subdivision is completed and each option is adjusted accordingly.
- (2) The calculation is made assuming the Share Subdivision is completed, the Over-allotment Option is not exercised and no Shares are issued under Share Schemes.
- (3) The calculation is made assuming the Share Subdivision is completed, the Over-allotment Option is not exercised and no Shares are issued under Share Schemes. The percentage takes into account the weighted voting rights of the Class A Shares, which carry 10 votes per share in relation to resolutions at the general meetings of the Company save in respect of the Reserved Matters.

2. 2021 ESOP

The following is a summary of the principal terms of the 2021 ESOP conditionally adopted by our Shareholders' resolutions dated March 16, 2021 with effect from Listing. The terms of the 2021 ESOP will be subject to Chapter 17 of the Listing Rules.

Purpose

The purpose of the 2021 ESOP is to provide Eligible Persons (defined below) with the opportunity to acquire proprietary interests in our Company and to encourage the Eligible Person to work towards enhancing the value of our Company and our Shares for the benefit of our Company and Shareholders as a whole. The 2021 ESOP will provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to Eligible Persons.

Eligible Persons

Any individual, being an employee or director of any member of the Group or any Affiliate (including nominees, and/or trustees of any employee benefit trust established for them), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of our Group or any of our Group's affiliates who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is entitled to be offered and granted options ("**Eligible Person(s)**").

However, no individual who is resident in a place where the grant, acceptance, vesting or exercise of options pursuant to the 2021 ESOP is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

Maximum number of Class B Shares

The total number of Class B Shares which may be issued upon exercise of all options to be granted under the 2021 ESOP and any other share option scheme of our Company is 41,098,971, being no more than 10% of the Shares in issue on the date the Class B Shares commence trading on the Stock Exchange (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes) (the "**Option Scheme Mandate Limit**"). Options which have lapsed in accordance with the terms of the rules of the 2021 ESOP (or any other share option schemes of our Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall limit on the number of Class B Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2021 ESOP and any other share option schemes of our Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the "**Option Scheme Limit**"). No options may be granted under any schemes of our Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

The Option Scheme Mandate Limit may be refreshed at any time subject to prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the Option Scheme Mandate Limit as refreshed cannot exceed 10% of the Shares in issue as at the date of such approval. Options previously granted under the 2021 ESOP and any other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit.

Our Company may also seek separate approval of our Shareholders in general meeting for granting options beyond the Option Scheme Mandate Limit, provided such grant is to Eligible Person

specifically identified by our Company before the aforesaid Shareholders' meeting where such approval is sought.

Maximum entitlement of a grantee

Unless approved by our Shareholders, the total number of Class B Shares issued and to be issued upon exercise of the options granted and to be granted under the 2021 ESOP and any other share option scheme(s) of our Company to each Eligible Person (including both exercised and outstanding options) in any 12 month period shall not exceed 1% of the total number of Shares in issue (the "**Individual Limit**"). Any further grant of options to an Eligible Person which would result in the aggregate number of Class B Shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders in general meeting (with such Eligible Persons and his associates abstaining from voting).

Performance target

The 2021 ESOP does not set out any performance targets that must be achieved before the options may be exercised. However, the Board or its delegate(s) may at their sole discretion specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the option can be exercised.

Subscription price

The price per Class B Share at which a grantee may subscribe for Class B Shares on the exercise of an option (the "**Subscription Price**") shall be such price determined by the Board in its absolute discretion and shall be no less than the higher of:

- (i) the closing price of a Class B Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;
- (ii) the average closing price of the Class B Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Class B Share on the date of grant.

Rights are personal to grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favour of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of the 2021 ESOP.

Options granted to directors or substantial shareholders of our Company

Each grant of options to any director of our Company, the chief executive (as defined in the Listing Rules) or substantial shareholder of our Company (or any of their respective associates) shall be subject to the prior approval by the independent non-executive Directors of our Company (excluding any independent non-executive Director who is a proposed recipient of the grant of options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company (or any of their respective associates) would result in the number of Shares issued and to

be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Class B Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange),

such further grant of options must also be subject to the prior approval by our Shareholders (voting by way of poll) in general meeting. Our Company shall send a circular to our Shareholders in accordance with and containing such information as is required under the Listing Rules. All core connected persons of our Company shall abstain from voting at such general meeting, except that any core connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to our Shareholders in connection therewith.

Grant offer letter and notification of grant of options

An offer shall be made to Eligible Persons by a letter in duplicate which specifies the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board or its delegate(s) such other terms either on a case basis or generally.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Class B Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company within 20 business days from the date on which the letter containing the offer is delivered to the Eligible Person.

Any offer may be accepted in respect of less than the number of Class B Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Class B Shares or a multiple thereof. To the extent that the offer is not accepted within 20 business days from the date on which the letter containing the offer is delivered to that Eligible Person, it shall be deemed to have been irrevocably declined.

Restriction of grant of options

No offer shall be made and no option shall be granted to any Eligible Person in circumstances prohibited by the Listing Rules or at a time when the Eligible Person would or might be prohibited from dealing in the Class B Shares by the Listing Rules or by any applicable rules, regulations or law. No offer shall be made and no option shall be granted to any Eligible Person where our Company or such persons are in possession of any unpublished inside information in relation to our Company until such inside information has been published in an announcement in accordance with the Listing Rules. Furthermore, no offer shall be made and no option shall be granted:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

- (ii) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

Such period will also cover any period of delay in the publication of any results announcement.

Time of exercise of an option

An option may, subject to the rules of the 2021 ESOP and the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as our Board may from time to time determine stating that the option is thereby exercised and the number of Class B Shares in respect of which it is exercised.

Cancellation of options granted

Any breaches of the rules of the 2021 ESOP by a grantee may result in the options granted to such grantee being cancelled by our Company. Any options granted but not exercised may be cancelled if the grantee so agrees. Issuance of new options to the same grantee may only be made if there are unissued options available under the 2021 ESOP (excluding the cancelled options) and in compliance with the terms of the 2021 ESOP.

Lapse of an option

Without prejudice to the additional situations provided by our Board or its delegates(s), an option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the period within which an option may be exercised, which is to be determined and notified by the Board to each grantee at the time of making an offer, and shall not expire later than 10 years from the date of grant (the “**Option Period**”);
- (ii) the expiry of any of the periods for exercising the option as referred to in the paragraphs headed “Retirement, death or permanent physical or mental disability of an Eligible Person”, “Termination of employment of an Eligible Person”, “Rights on takeover and schemes of compromise or arrangement” and “Rights on a voluntary winding up” below; and
- (iii) the date on which the grantee commits a breach of the rules detailed under the heading “Rights are personal to grantee” above.

Voting and dividend rights

No dividends shall be payable and no voting rights shall be exercisable in relation to any options or Shares that are the subject of options that have not been exercised.

Effects of alterations in the capital structure of our Company

In the event of an alteration in the capital structure of our Company by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of shares, or reduction of the share capital of our Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party), such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares comprised in each option so far as unexercised;

- (ii) the Subscription Price;
- (iii) the method of exercise of the option; or
- (iv) any combination thereof,

as the auditors or a financial adviser engaged by our Company for such purpose shall, at the request of our Company, certify in writing, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided always that any such adjustments should give each grantee the same proportion of the equity capital of our Company (or as nearly as possible but not greater than the same proportion of the equity capital of our Company) as that to which that grantee was previously entitled prior to such adjustments, and no adjustments shall be made which will enable a Share to be issued at less than its nominal value. The capacity of the auditors or financial adviser (as the case may be) is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the auditors or financial adviser (as the case may be) shall be borne by our Company.

Retirement, death or permanent physical or mental disability of an Eligible Person

If a grantee ceases to be an Eligible Person by reason of (i) death of the grantee, (ii) termination of the grantee's employment or contractual engagement with our Group or our Group's affiliate by reason of his/her permanent physical or mental disablement, or (iii) retirement of the grantee, the option may be exercised within the Option Period, or such other period as the Board or its delegate(s) may decide in their sole discretion.

In the case of death of a grantee, the option may be exercised within that period by the personal representatives of the grantee. In the case where a grantee no longer has any legal capacity to exercise the option, the option may be exercised within that period by the persons charged with the duty of representing the grantee under the relevant laws in Hong Kong.

If the option is not exercised within the times mentioned above, the option shall lapse.

Termination of employment of an Eligible Person

If a grantee, being an employee whose employment is terminated by our Group or its affiliate by reason of the employer terminating the contract of employment without notice or payment in lieu of notice, or the grantee having been convicted of any criminal offence involving his integrity or honesty, the option shall immediately lapse.

If a grantee is declared bankrupt or becomes insolvent or makes any arrangements or composition with his/her creditors generally, the option shall immediately lapse.

If a grantee being an employee ceases to be an Eligible Person due to termination of his/her employment or contractual engagement with our Group by reason of redundancy, the option may be exercised within three months of such cessation or within the Option Period, whichever is the shorter, or such other period as the Board or its delegate(s) may decide in their sole discretion.

If a grantee ceases to be an Eligible Person other than in any of the circumstances described above, unless otherwise provided in the letter containing the offer, a grantee may exercise his/her option within three months of such cessation or within the Option Period, whichever is the shorter, or such other period as the Board or its delegate(s) may decide in their sole discretion.

Rights on takeover and schemes of compromise or arrangement

If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement) is made to all our Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, our Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, at any time within such period as shall be notified by our Company.

If a compromise or arrangement between our Company and our members or creditors is proposed, our Company shall give notice to the grantee on the same date as we dispatch the notice to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representatives) may, until the expiry of the period commencing with such date and ending with the earlier of the date 2 calendar months thereafter or the date on which such compromise or arrangement is sanctioned by the court, exercise any of his options (to the extent not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective, and upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the 2021 ESOP. Our Company may require the grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position, as nearly as possible, as would have been the case had such Shares been subject to such compromise or arrangement. If the option is not exercised within the time specified, the option shall lapse.

Rights on a voluntary winding up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this rule) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than 2 business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid. If the option is not exercised within the time specified, the option shall lapse.

Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option shall be identical to the then existing issued shares of our Company and subject to all the provisions of the Memorandum and Articles and will rank *pari passu* with fully paid Shares in issue on the date the name of the grantee is registered on the register of members of our Company or if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, save that the grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company) declared or recommended or resolved to be paid to our Shareholders on the register on a date prior to such registration.

Duration

The 2021 ESOP shall be valid and effective for the period of ten years commencing on the Listing Date (after which, no further options shall be offered or granted), but in all other respects the provisions of the 2021 ESOP shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the 2021 ESOP.

Alteration of the 2021 ESOP

The Board may amend or vary any of the provisions of the 2021 ESOP (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the 2021 ESOP, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any grantee at that date).

Those specific provisions of the 2021 ESOP which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Eligible Person, and no changes to the authority of the administrator of the 2021 ESOP in relation to any alteration of the terms of the 2021 ESOP shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms of the 2021 ESOP which are of a material nature, or any change to the terms and conditions of Options granted, must also, to be effective, be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the 2021 ESOP. The options and the 2021 ESOP so altered must comply with Chapter 17 of the Listing Rules. Any change to the authority of the Directors or scheme administrators in relation to any alteration to the terms of the 2021 ESOP must be approved by Shareholders of our Company in general meeting.

Notwithstanding any provisions to the contrary in the 2021 ESOP, if on the relevant date of exercise there are restrictions or conditions imposed by the relevant laws and regulations to which the grantee is subject and the grantee has not obtained approval, exemption or waiver from the relevant regulatory authorities for the subscription of and dealing in the Shares, the grantee may sell the options to such transferee, subject to the approval by the Board, which shall not unreasonably withhold or delay such approval. In the event that the options are transferred to a connected person of our Company, no Shares shall be allotted and issued upon the exercise of the options by a connected person of our Company unless the Board is satisfied that the allotment and issue of Shares will not result in any breach of the Listing Rules, the Articles, the Cayman Companies Act or the Takeovers Code.

Termination

Our Shareholders by ordinary resolution in general meeting or the Board may at any time resolve to terminate the operation of the 2021 ESOP prior to the expiry of the 2021 ESOP and in such event no further options will be offered or granted but the provisions of the 2021 ESOP shall remain in full force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2021 ESOP. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the 2021 ESOP and remain unexercised and unexpired immediately prior to the termination of the operation of the 2021 ESOP shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the 2021 ESOP.

Details of the options granted, including options exercised or outstanding, under the 2021 ESOP shall be disclosed in the circular to our Shareholders seeking approval of the new scheme established after the termination of the 2021 ESOP.

E. OTHER INFORMATION**1. Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.

2. Litigation

Save as disclosed in this document, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

3. Joint Sponsors

Each of Morgan Stanley Asia Limited and CMBC International Capital Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Qianhai Golden Bridge IV LP will hold approximately 5.19% of the issued share capital of our Company immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Schemes). Qianhai Golden Bridge IV LP, being a close associate of the controlling shareholder of China International Capital Corporation Hong Kong Securities Limited, is regarded as a member of the sponsor group of China International Capital Corporation Hong Kong Securities Limited as defined under the Listing Rules. Accordingly, China International Capital Corporation Hong Kong Securities Limited does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate of US\$1.5 million for acting as the sponsors for the Listing.

4. Consent of experts

This document contains statements made by the following experts:

<u>Name</u>	<u>Qualification</u>
Morgan Stanley Asia Limited	A licenced corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	A licenced corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
CMBC International Capital Limited	A licenced corporation under the SFO for type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Commerce & Finance Law Offices	Qualified PRC lawyers
Maples and Calder (Hong Kong) LLP	Cayman Islands attorneys-at-law

<u>Name</u>	<u>Qualification</u>
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

Save as disclosed in the section headed “Structure of the Global Offering—Hong Kong Underwriters’ interests in the Company” of this document, as at the Latest Practicable Date, none of the experts named above 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.

Each of the experts named above have given and have not withdrawn their respective written consent to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

5. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

6. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

8. Disclaimers

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
- (i) there are no commissions (but not including commission to sub-underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company; and
 - (ii) there are no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in the part headed “—Other information—Consent of experts” received any such payment or benefit.
- (b) Save as disclosed in this document:
- (i) there are no founder, management or deferred shares in our Company or any member of our Group;

- (ii) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given within the two years immediately preceding the date of this document, or are proposed to be paid, allotted or given to any promoters;
- (iii) none of the Directors or the experts named in the part headed “—Other information— Consent of experts” above has any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (iv) there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group;
- (v) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;
- (vi) there are no outstanding debentures of our Company or any member of our Group;
- (vii) there are no other stock exchange on which any part of the equity or debt securities of our Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought;
- (viii) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option; and
- (ix) there are no contracts or arrangements subsisting at the date of this document in which a Director is materially interested or which is significant in relation to the business of our Group.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents,:

- (a) a copy of the GREEN Application Form;
- (b) the written consents referred to in “Statutory and general information—Other information—Consent of experts” in Appendix V; and
- (c) copies of the material contracts referred to in “Statutory and general information—Further information about our business—Summary of material contracts” in Appendix V.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Skadden, Arps, Slate, Meagher & Flom at 42/F Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum and the Articles;
- (b) the material contracts referred to in “Statutory and general information—Further information about our business—Summary of material contracts” in Appendix V;
- (c) the service contracts and the letters of appointment with our Directors referred to in “Statutory and general information—Further information about our Directors—Particulars of Directors’ service contracts and appointment letters” in Appendix V;
- (d) the report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a summary of which is set forth in “Industry overview”;
- (e) the PRC legal opinions issued by Commerce & Finance Law Offices, our PRC Legal Adviser on PRC law, in respect of certain general corporate matters and property interests in the PRC of our Group;
- (f) the Accountants’ Report and the report on the unaudited pro forma financial information of our Group prepared by KPMG, the texts of which are set out in Appendix I and Appendix II, respectively;
- (g) the audited consolidated financial statements of our Company for the three financial years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020;
- (h) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal adviser on Cayman Islands law, summarising certain aspects of Cayman company law referred to in Appendix IV;
- (i) the Cayman Companies Act;
- (j) the written consents referred to in “Statutory and general information—Other information—Consent of experts” in Appendix V; and
- (k) the terms of the Share Schemes.



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