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BACKGROUND

Our Consolidated Affiliated Entities were established under the laws of the PRC. As described below, business in certain areas of the industry in which we currently operate are subject to restrictions under current PRC laws and regulations. It was not viable for our Company to hold our Consolidated Affiliated Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries subject to foreign investment restrictions in the PRC, we would gain effective control over, and receive 100% of all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entities through the Contractual Arrangements involving Shanghai Qiyu, Fuzhou Microcredit, Fuzhou Financing Guarantee and Shanghai Financing Guarantee (together, the “**Principal VIEs**”).

In order to streamline and consolidate the operation of the financing guarantee business of the Group, the Group plans to conduct all financing guarantee business of the Group through Fuzhou Financing Guarantee going forward and phase out Shanghai Financing Guarantee. For further details, please refer to the section headed “– Consolidation of Financing Guarantee Business” below.

A summary of the relevant businesses (“**Relevant Businesses**”) that are subject to foreign investment restrictions are set out as follows:

Categories	Our Business
Restricted Business – Value-added telecommunications services business	The operation of our online consumer Credit-Tech business involves internet information provision services, which falls within the scope of value-added telecommunications services business under the Telecommunications Regulations. According to the Negative List (2021), foreign investors are not allowed to hold more than 50% equity interests in any enterprise conducting such business. Shanghai Qiyu holds an ICP License issued by the competent authority for the provision of such internet information services.
Micro-Lending business	The operation of our online micro-lending business through Fuzhou Microcredit falls within the scope of the Interim Administrative Measures on Micro-lending Companies of Fujian (“ Fujian Micro-Lending Measures ”), promulgated by the General Office of the Fujian Provincial People’s Government, which imposes certain requirements on shareholders of entities engaged in the micro-lending businesses.

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Categories	Our Business
Financing guarantee business	The operation of our financing guarantee business through Fuzhou Financing Guarantee and Shanghai Financing Guarantee falls within the scope of Regulations on the Supervision and Administration of Financing Guarantee Companies (“ Financing Guarantee Regulation ”), promulgated by the State Council of the PRC.

For further details of the limitations on foreign ownership in PRC companies conducting businesses involving value-added telecommunications services, micro-lending business and financing guarantee business under the applicable PRC laws and regulations, see “Regulatory Overview – Regulations on Foreign Investment Restrictions,” “Regulatory Overview – Regulations on Online Finance Services Industry – Regulation on Micro-Lending Business” and “Regulatory Overview – Regulation on Online Finance Services Industry – Regulations on Financing Guarantee.”

As a result of the foregoing, a series of Contractual Arrangements have been entered into by Shanghai Qiyu, Fuzhou Financing Guarantee, Shanghai Financing Guarantee and their Registered Shareholders, through which we have obtained control over the operations of, and enjoy all economic benefits of the VIEs. The Contractual Arrangements for Shanghai Qiyu were initially entered into in September 2018, Fuzhou Financing Guarantee in September 2018 (as amended in April 2019) and Shanghai Financing Guarantee in May 2019. The Contractual Arrangements currently in effect were entered into on June 1, 2022, in replacement of the previous contractual arrangements, whereby our WFOE has acquired effective control over the Consolidated Affiliated Entities, and has become entitled to all the economic benefits derived from their respective operations.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into between the WFOE and our Consolidated Affiliated Entities; (ii) by entering into the Exclusive Business Cooperation Agreements with our WFOE, which are our Company’s subsidiary incorporated in the PRC, our Consolidated Affiliated Entities will enjoy better economic and technical support from us, as well as a better market reputation after the Listing, and (iii) a number of other companies in the same or similar industries to those in which we operate use similar arrangements to accomplish the same purpose. The Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from our Consolidated Affiliated Entities, have been narrowly tailored to achieve our business purpose and minimize the potential for conflict with relevant PRC laws and regulations to the maximum extent.

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For the three financial years ended December 31, 2019, 2020 and 2021, and for the six months ended June 30, 2022, the revenue contributed by our Consolidated Affiliated Entities accounted for 93%, 97%, 92% and 92% of our total net revenue, respectively. The remaining revenue was generated by the other subsidiaries of our Group for providing ancillary services such as risk management SaaS and pre-facilitation technology solutions for our platform services.

Reasons for Adoption of Contractual Arrangements for the Value-added Telecommunication Services Business

Pursuant to the Negative List (2021), which came into effect on January 1, 2022, provision of value-added telecommunications services falls within the ‘restricted’ category. As such, the ultimate shareholding percentage of a foreign investor in companies engaged in value-added telecommunications services (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers) 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 license. See “Regulatory Overview – Regulations on Foreign Investment Restrictions,” for details of limitations on foreign ownership in PRC companies conducting value-added telecommunications services.

Since our value-added telecommunication services involve the operation of internet information services, and online data processing and transaction processing service, which are a sub-categories of valued-added telecommunications business, for which an value-added telecommunication services license is required, our value-added telecommunication services are subject to foreign ownership restrictions. Therefore, our internet information services are conducted by, and value-added telecommunication license is held by, Shanghai Qiyu.

We operate the online consumer Credit-Tech business involving internet information service under the Contractual Arrangements and are of the view that the Contractual Arrangements are narrowly tailored and we have demonstrated genuine efforts to comply with applicable laws and regulations for the following reasons:

- (i) on March 29, 2022, the State Council promulgated the Decision of the State Council on Amending or Abolishing Certain Administrative Regulations (the “**Decision**”), which came into effect on May 1, 2022. According to the Decision, the requirement of good track record and operational experience of the primary foreign investor in a foreign-invested value-added telecommunications enterprise, as stipulated in the Administrative Regulations on Foreign-Invested Telecommunications Enterprises, was canceled. On May 26, 2022, our PRC Legal Adviser consulted with MIIT in relation to the Decision, and was informed that currently an application by a foreign-invested enterprise from such online consumer finance service field to hold an EDI or ICP License is still strictly controlled and would not be approved in practice, and there is no approved precedent in such consumer Credit-Tech business.

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The abovementioned MIIT consultation was conducted with an officer of the relevant department of MIIT and our PRC Legal Adviser is of the view that such department is a competent authority and the officer consulted is competent to provide the above confirmations. As of the Latest Practicable Date, we have not received any inquiry or notice from the competent authorities regarding the validity of our ICP license or our Contractual Arrangements as a whole. In addition, as advised by our PRC Legal Adviser, as the Decision only became effective on May 1, 2022 and no detailed guidance or implementation measures have been issued, there remain uncertainties with respect to its future impact on us, including any specific requirements that we may need to satisfy. We will closely monitor any future development relating to the Decision and will take all necessary actions to comply with applicable laws, regulations and specific requirements or guidance, including reorganizing our corporate structure, if required in the future. See “Risk Factors – Risks Related to Our Business and Industry”; and

- (ii) based on the abovementioned MIIT consultation, our PRC Legal Adviser is of the view that in the case of our Company, currently we are practically unable to obtain ICP license through any Sino-foreign equity joint venture or wholly-owned foreign investment entity.

Reasons for Adoption of Contractual Arrangements for Micro-Lending Business

In May 2008, Guidance on the Pilot Establishment of Micro-Lending Companies was jointly promulgated by the CBRC and the PBOC, authorizing provincial governments to approve the establishment of micro-lending companies on a test basis. The establishment of a micro-lending company is subject to the approval of the competent government authority at the provincial level.

Based on this guidance, many provincial governments, including that of Fujian Province, promulgated local implementing rules on the administration of micro-lending companies. In March 2012, Fujian Provincial People’s Government issued the Fujian Micro-Lending Measures, imposing the management duties upon the relevant regulatory authorities and specifies more detailed requirements on the micro-lending companies.

Fuzhou Microcredit has obtained the approval to operate micro-lending businesses as issued by the local government authority, which allows Fuzhou Microcredit to conduct micro-lending businesses through the internet.

While the Negative List (2021) does not classify the micro-lending businesses as “restricted” or “prohibited,” the Fujian Micro-Lending Measures promulgated by the General Office of the Fujian Provincial People’s Government imposed certain requirements on shareholders of entities engaged in the businesses of micro-lending.

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We operate the micro-lending business under the Contractual Arrangements and are of the view that the Contractual Arrangements are narrowly tailored and we have demonstrated genuine efforts to comply with applicable laws and regulations for the following reasons:

- (i) our PRC Legal Adviser conducted consultations (the “**FFSA Consultations**”) with an officer of the Fujian Provincial Local Financial Supervision Administration (“**Fujian Financial Supervision Administration**”) in August 2020 and March 2021, respectively. As advised by our PRC Legal Adviser, Fujian Financial Supervision Administration is the competent authority to determine applications of micro-lending businesses in the Fujian province and the officer consulted is competent to provide relevant confirmations. The officer of the Fujian Financial Supervision Administration confirmed that given that relevant PRC regulatory authorities are formulating (though have not yet promulgated) the “Regulations on the Organization of Non-deposit Lending” and the “Interim Measures for the Administration of Online Micro-Lending Business,” the approval of foreign-invested companies engaged in micro-lending business has been suspended. The officer of the Fujian Financial Supervision Administration also confirmed that there is only one foreign-held entity (namely, an entity that is held directly or indirectly by foreign companies incorporated outside of the PRC) engaged in micro-lending business in Fujian (as a result of article 12 of the Fujian Micro-Lending Measures which provides for launching the pilot project to establish one foreign-owned micro-lending company in Fuzhou), and that the Fujian Financial Supervision Administration will currently not consider granting an approval for any additional foreign-held entities engaged in the micro-lending business;
- (ii) on July 12, 2022, our PRC Legal Adviser conducted another verbal FFSA Consultation with a competent officer of Fujian Financial Supervision Administration and was informed that there is no change to the above regulatory policies and practices since the previous FFSA Consultations, and therefore, the relevant confirmations obtained from the previous FFSA Consultations remained valid; and
- (iii) based on the FFSA Consultations, our PRC Legal Adviser is of the view that Fujian Financial Supervision Administration would not approve applications from a foreign-held entity, including HK Qirui, to engage in the micro-lending business in Fujian province in the foreseeable future.

Therefore, to maintain Fuzhou Microcredit’s operation of its micro-lending business, Fuzhou Microcredit must remain within the current VIE structure and the shareholding of which should not be transferred to foreign companies (including wholly foreign-owned enterprises in China).

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Reasons for Adoption of Contractual Arrangements for Financing Guarantee

While the Negative List (2021) does not classify the financing guarantee businesses as “restricted” or “prohibited,” the Financing Guarantee Regulation promulgated by the State Council of the PRC imposed certain requirements on shareholders of entities engaged in the businesses of financing guarantees.

In March 2010, seven government authorities including the CBRC, the MOFCOM and the MOF promulgated the Interim Administrative Measures for Financing Guarantee Companies which requires an entity or individual to obtain a prior approval from the relevant government authority before engaging in the financing guarantee business.

Fuzhou Financing Guarantee, through which we provide the guarantee to borrowers for the loans provided by our financial institution partners, has obtained the financing guarantee certificate granted by relevant government authority to conduct financing guarantee business in June 2018.

Shanghai Financing Guarantee, through which we provide the guarantee to borrowers for the loans provided by our financial institution partners, obtained the financing guarantee certificate granted by competent government authorities to conduct financing guarantee business in January 2019.

Consolidation of the Financing Guarantee Business

In order to streamline and consolidate the operation of the financing guarantee business of the Group, the Group plans to conduct all financing guarantee business of the Group through Fuzhou Financing Guarantee, and phase out Shanghai Financing Guarantee. Shanghai Financing Guarantee has applied, and permission has been granted by the relevant PRC authority, to have its financing guarantee certificate cancelled, and such certificate has been returned to the relevant PRC authority for cancellation. Upon such cancellation, Shanghai Financing Guarantee shall be permitted to continue to carry on its pre-existing financial guarantee contracts and obligations, but will no longer enter into new financing guarantee business arrangements. The Group expects to complete the phase-out of Shanghai Financing Guarantee in the next two to three years based on the contractual terms of the pre-existing financing guarantee agreements, and Shanghai Financing Guarantee will file a formal application for de-registration to the relevant PRC authorities after all of its pre-existing contractual obligations have been performed or lapsed, as applicable. Going forward, the Group will conduct all of its financing guarantee business through Fuzhou Financing Guarantee.

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We operate the financing guarantee business under the Contractual Arrangements and are of the view that the Contractual Arrangements are narrowly tailored and we have demonstrated genuine efforts to comply with applicable laws and regulations for the following reasons:

- (i) our PRC Legal Adviser conducted consultations with an officer of Fujian Financial Supervision Administration in August 2020 and March 2021, or the FFSA Consultations. As advised by our PRC Legal Adviser, Fujian Financial Supervision Administration is the competent authority to determine applications of financing guarantee businesses in the Fujian province and the officer consulted is competent to provide relevant confirmations. The officer of the Fujian Financial Supervision Administration confirmed that (i) given the current strict regulatory attitude of the SAFE towards the outflow of foreign capital from China, the regulatory authorities in China are more cautious about approving applications for financing guarantee companies with foreign investors and it is very difficult to approve a financing guarantee company with foreign investor; and (ii) there is currently no foreign-held entity engaged in financing guarantee business in Fujian province; and (iii) the policies of the Fujian Financial Supervision Administration do not allow it to, in the foreseeable future, approve an application for financing guarantee companies who are foreign-held entities. On July 12, 2022, our PRC Legal Adviser conducted another verbal FFSA Consultation with a competent officer of Fujian Financial Supervision Administration and was informed that there is no change to the above regulatory policies and practices since the previous FFSA Consultations, and therefore, the relevant confirmations obtained from the previous FFSA Consultations remained valid;
- (ii) our PRC Legal Adviser conducted consultations (the “**SPFSO Consultations**”) with an officer of the Shanghai Putuo District Financial Services Office (“**Shanghai Putuo Financial Services Office**”) in August 2020 and March 2021. As advised by our PRC Legal Adviser, the Shanghai Putuo Financial Services Office is the competent authority to pre-screen the applications of financing guarantee businesses in Putuo district of Shanghai and the officer consulted is competent to provide relevant confirmations. The officer of the Shanghai Putuo Financial Services Office confirmed that: (i) the Shanghai Putuo Financial Services Office generally conducts preliminary review for approvals of financing guarantee qualifications, and the Shanghai Municipal Financial Regulatory Bureau (“**Shanghai Financial Regulatory Bureau**”) will conduct further review after the preliminary review is passed; (ii) the approval of any applications from a foreign-held entity to engage in the financing guarantee business will be very difficult; (iii) there is currently no foreign-held entity engaging in financing guarantee business in Putuo district of Shanghai; (iv) according to existing PRC laws and regulations, HK Qirui does not meet the approval conditions; and (v) even if HK Qirui meets the approval conditions, in view of the highly restrictive policies in relation to companies engaging in financing guarantee business, no approval of any applications from HK Qirui to engage in the financing guarantee business would be granted in practice. On July 12, 2022, our PRC Legal Adviser conducted another verbal SPFSO

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Consultation with a competent officer of Shanghai Putuo Financial Services Office and was informed that there is no change to the above regulatory policies and practices since the previous SPFSO Consultations, and therefore, the relevant confirmations obtained from the previous SPFSO Consultations remained valid;

- (iii) furthermore, our PRC Legal Adviser conducted a verbal consultation (the “**SFRB Consultation**”) with an officer of Shanghai Financial Regulatory Bureau in July 2022. The officer of Shanghai Financial Regulatory Bureau confirmed that (i) its department is responsible for the financing guarantee companies’ supervision; (ii) the Shanghai Putuo Financial Services Office conducts preliminary review for approvals of financing guarantee qualifications; (iii) if the Shanghai Putuo Financial Services Office does not approve the application in its preliminary review, the Shanghai Financial Regulatory Bureau will not overturn the conclusion of the Shanghai Putuo Financial Services Office. As advised by our PRC Legal Adviser, the Shanghai Financial Regulatory Bureau is the competent authority to determine applications of financing guarantee businesses in Shanghai and officers from the aforesaid department are compete to provide relevant confirmations;

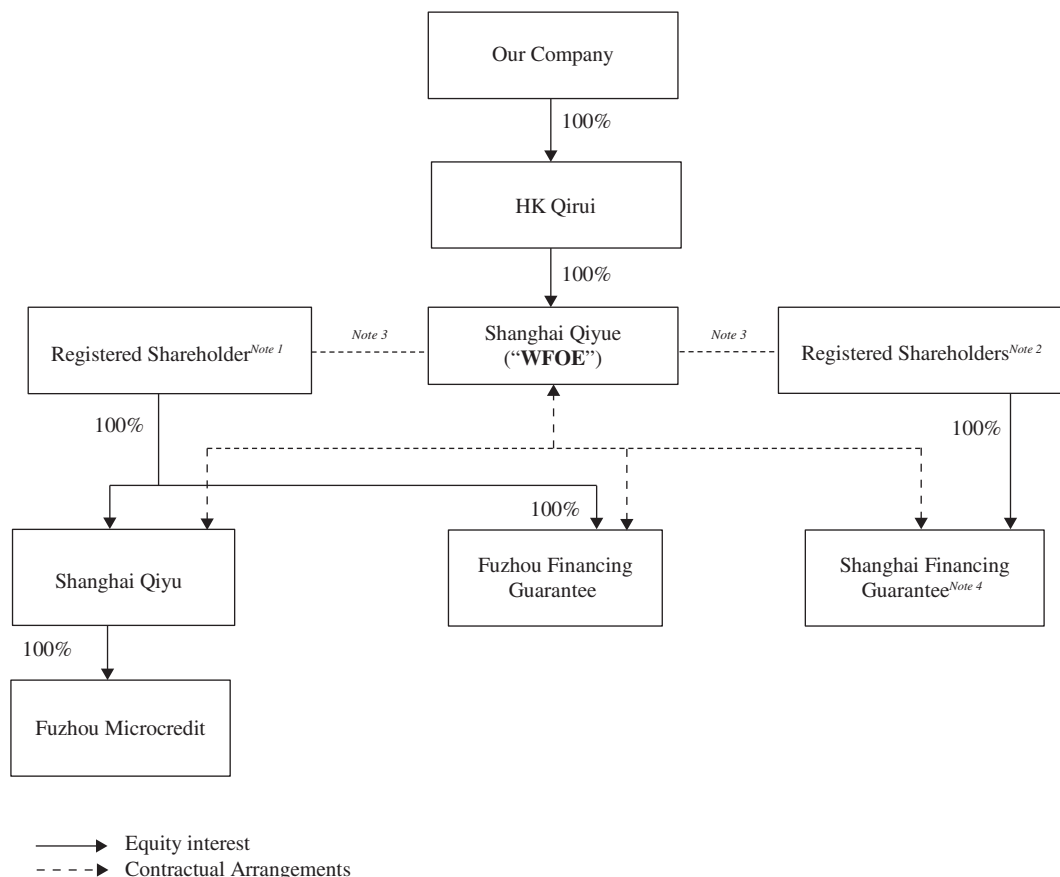
- (iv) based on the FFSA Consultations, our PRC Legal Adviser is of the view that Fujian Financial Supervision Administration would not approve applications from a foreign-held entity, including HK Qirui, to engage in the financing guarantee business in Fujian province in the foreseeable future. Based on the SPFSO Consultations and SFRB Consultation, our PRC Legal Adviser is of the view that Shanghai Putuo Financial Services Office would not approve applications from HK Qirui to engage in the financing guarantee business in the foreseeable future. In addition, besides HK Qirui and its subsidiaries, the Company does not have any other appropriate entities in the Group to engage in the financing guarantee business and become the shareholder of Fuzhou Financing Guarantee or Shanghai Financing Guarantee.

Therefore, to maintain the operation of the financial guarantee businesses of Fuzhou Financing Guarantee and Shanghai Financing Guarantee, they must remain within the current VIE structure and the shareholding of which should not be transferred to foreign companies (including wholly foreign-owned enterprises in China).

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The diagram below illustrates the relationships among the entities under the Contractual Arrangements:



Notes:

- (1) Shanghai Qibutianxia owns all of the equity interest in both Shanghai Qiyu and Fuzhou Financing Guarantee. Shanghai Qibutianxia is owned as to 65.74% by Tianjin Qixinfukong Technology Co., Ltd. (天津奇信富控科技有限公司), which is in turn owned as to 84.95% by Tianjin Qixinzhicheng Technology Co., Ltd. (天津奇信志成科技有限公司), a company of which Mr. Hongyi Zhou is the largest shareholder with 17.38% equity interest.
- (2) Beijing Zhongxin Baoxin Technology Co., Ltd. (北京中鑫保信科技有限公司) (“**Beijing Zhongxin**”) and Beijing Qicaitianxia Technology Co., Ltd. (北京奇才天下科技有限公司) (“**Beijing Qicaitianxia**”) hold 80% and 20% equity interests in Shanghai Financing Guarantee, respectively. Both Beijing Zhongxin and Beijing Qicaitianxia are wholly-owned by Shanghai Qibutianxia.
- (3) Shanghai Qibutianxia executed exclusive option agreements, equity interest pledge agreements and voting proxy agreements in favor of our WFOE in respect of Shanghai Qiyu and Fuzhou Financing Guarantee. Beijing Zhongxin and Beijing Qicaitianxia executed documents with substantially the same terms as the said documents in favor of our WFOE in respect of Shanghai Financing Guarantee. See the section headed “– Summary of the Material Terms of the Contractual Arrangements” below for details.
- (4) In order to streamline and consolidate the operation of the financing guarantee business of the Group, the Group plans to conduct all financing guarantee business of the Group through Fuzhou Financing Guarantee, and phase out Shanghai Financing Guarantee. For further details, please refer to the section headed “– Consolidation of the Financing Guarantee Business” above.

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Circumstances under which we will unwind the Contractual Arrangements

We will unwind and terminate the Contractual Arrangements wholly or partially as soon as practicable in respect of the operation of the Relevant Businesses to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations in the event that PRC regulatory restrictions on foreign ownership of Relevant Business cease to exist or allow the relevant business to be held by Sino-foreign entity joint ventures or wholly-owned foreign investment entities.

SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

Exclusive Business Cooperation Agreements

Shanghai Qiyu and our WFOE entered into an exclusive business cooperation agreement on June 1, 2022 (the “**Exclusive Business Cooperation Agreement**”), pursuant to which Shanghai Qiyu agreed to engage our WFOE as its exclusive service provider of, among other things, consulting and technical services required by Shanghai Qiyu’s business, which include, but are not limited to:

- (i) research and development of the technology necessary to Shanghai Qiyu’s businesses, including to develop, design and establish the database, user interface and other related technologies for Shanghai Qiyu’s business information and authorize Shanghai Qiyu to use the same;
- (ii) provision of technical application and implementation in relation to Shanghai Qiyu’s business, including but not limited the overall design, installation, testing and trial run of the system;
- (iii) day-to-day maintenance, monitoring, testing and debugging of the network system required by Shanghai Qiyu’s businesses, including to input user data to the database, to provide business information to Shanghai Qiyu from time to time, update the database and user interface regularly and provide other related technical services;
- (iv) provision of consultation services for the procurement of equipment and software and hardware systems required by Shanghai Qiyu’s business, including but not limited to providing consulting advice in relation to the choice, system installation and testing of all kinds of software tools, applications and technical platforms, and the procurement, models and performance of related hardware facilities and equipment;

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- (v) provision of professional training and technical support for relevant personnel of Shanghai Qiyu, including but not limited to providing appropriate training (in relation to customer services, technology and other related aspects), introducing knowledge and experience regarding the installation and operation of relevant systems and equipment, assisting Shanghai Qiyu to resolve issues in the installation and operation of systems and equipment that arise from time to time, providing suggestions and advice to Shanghai Qiyu in relation to editing platform and software, and assisting Shanghai Qiyu to collect and compile all kinds of information and contents;
- (vi) provision of technical consulting and solutions for technical questions raised by Shanghai Qiyu in relation to its business operation, network facilities, technical products and software;
- (vii) provision of personnel support at the request of Shanghai Qiyu, including but not limited to lending or deploying relevant personnel;
- (viii) risk assessment and analysis on shareholders of Shanghai Qiyu at the request of Shanghai Qiyu; and
- (ix) other relevant services as required in accordance with the business needs of the parties as may be agreed by supplemental agreements.

Pursuant to the Exclusive Business Cooperation Agreement, in consideration of the services provided by our WFOE, Shanghai Qiyu shall pay services fees to our WFOE. The service fees, without contravening PRC laws, are equal to the entirety of the total consolidated net profit of the Shanghai Qiyu and its subsidiaries, after the deduction of any accumulated deficit in respect of the preceding financial year(s) (if applicable), operating costs, expenses, taxes and other payments required by the relevant laws and regulations to be reserved or withheld. Notwithstanding the foregoing, our WFOE may adjust the scope and amount of services fees in its discretion taking into account factors including but not limited to (i) the management and technical difficulty and the complexity of the management, technical consulting and other services provided by our WFOE; (ii) the time required by relevant personnel of our WFOE in providing such management and technical consulting and other services; (iii) the exact content and business value of the management, technical consulting and other services; (iv) the exact content and business value of intellectual property license and lease provided by our WFOE; and (v) the market price of services of similar types. Unless otherwise agreed upon, the service fee shall be payable by Shanghai Qiyu within five working days after receiving the relevant payment notice sent out by our WFOE.

In the event that the above payment would lead to Shanghai Qiyu experiencing any difficulties in its operations, our WFOE shall have the right to delay the payment and/or adjust the amount or payment method of service fee (including in accordance with PRC tax law and practice) in writing, and Shanghai Qiyu shall be notified in advance by our WFOE in writing and accept such requests of our WFOE.

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In addition, absent the prior written consent of our WFOE, during the term of the Exclusive Business Cooperation Agreement, with respect to the services subject to the Exclusive Business Cooperation Agreement and other matters, Shanghai Qiyu and its subsidiaries shall not accept the same or any similar services provided by any third party and shall not establish cooperation relationships similar to that formed by the exclusive business cooperation agreement with any third party. Our WFOE may appoint other parties, who may enter into certain agreements with Shanghai Qiyu, to provide Shanghai Qiyu with the services under the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement also provides that our WFOE will have the exclusive ownership of all the intellectual property rights created as a result of the performance of the Exclusive Business Cooperation Agreement to the extent permitted by applicable PRC laws. Our Directors consider that the above arrangements will ensure the economic benefits generated from the operations of the consolidated affiliated entities will flow to our WFOE and hence, our Group as a whole.

The Exclusive Business Cooperation Agreement has an indefinite term commencing from June 1, 2022, being the date of the exclusive business cooperation agreement. The Exclusive Business Cooperation Agreement may be terminated by our WFOE (i) when Shanghai Qiyu becomes insolvent, bankrupt or subject to liquidation or dissolution procedures; (ii) upon the transfer of the entire equity interests in and the transfer of all assets of Shanghai Qiyu to our WFOE or its designated person pursuant to the exclusive option agreement entered into between our WFOE, Shanghai Qiyu and Shanghai Qibutianxia; (iii) when it is legally permissible for our WFOE to hold equity interests directly or indirectly in Shanghai Qiyu and our WFOE or its designated person is registered to be the shareholder of Shanghai Qiyu; (iv) when relevant government authorities refuse to renew the expired operating period of Shanghai Qiyu or our WFOE; (v) by giving Shanghai Qiyu a 30 days' prior written notice of termination; or (vi) Shanghai Qiyu breaches the Exclusive Business Cooperation Agreement. Shanghai Qiyu is not contractually entitled to unilaterally terminate the Exclusive Business Cooperation Agreement with our WFOE.

Fuzhou Financing Guarantee and Shanghai Financing Guarantee have each entered into an exclusive business cooperation agreement with our WFOE on June 1, 2022, in terms that are substantially similar to the Exclusive Business Cooperation Agreement described above.

Exclusive Option Agreements

Our WFOE, Shanghai Qiyu and Shanghai Qibutianxia, the sole Registered Shareholder of Shanghai Qiyu, entered into an exclusive option agreement on June 1, 2022 (the “**Exclusive Option Agreement**”), pursuant to which Shanghai Qibutianxia will irrevocably grant our WFOE an exclusive option to purchase or designate one or more persons to purchase, all or part of its equity interests in Shanghai Qiyu. Further, Shanghai Qiyu will irrevocably grant our WFOE an exclusive option to purchase all or part of its assets, subject to applicable PRC laws. Our WFOE and or its designated person may exercise such options at the lowest price permitted under applicable PRC laws.

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Pursuant to the Exclusive Option Agreement, Shanghai Qibutianxia and Shanghai Qiyu have undertaken, amongst other things, that:

- (i) without our WFOE's prior written consent, they shall not in any manner supplement, change or amend the constitutional documents of Shanghai Qiyu, increase or decrease their registered capital, or change the structure of their registered capital in other manner;
- (ii) they shall maintain Shanghai Qiyu's corporate existence in accordance with good financial and business standards and practices, prudently and effectively operate its business and handle its affairs, procure Shanghai Qiyu to perform its obligations under the Exclusive Business Cooperation Agreement, and procure Shanghai Qiyu to obtain and/or maintain all necessary licenses and permits;
- (iii) without the prior written consent of our WFOE, they shall not at any time following the signing of the Exclusive Option Agreement, sell, transfer, pledge or dispose of in any manner any assets of Shanghai Qiyu or interest in the business or revenues of Shanghai Qiyu, or allow the encumbrance thereon of any security interest;
- (iv) unless otherwise mandatorily required by PRC laws, Shanghai Qiyu shall not be dissolved or liquidated without prior written consent by our WFOE;
- (v) without the prior written consent of our WFOE, Shanghai Qiyu shall not incur, inherit, guarantee or assume any debt, except for (i) debts incurred in the ordinary course of business other than payables incurred by a loan and (ii) debts that have been disclosed to and consented to by our WFOE in writing;
- (vi) they shall operate all of Shanghai Qiyu's businesses during the ordinary course of business to maintain its asset value and refrain from any action/omission that may adversely affect Shanghai Qiyu's operating status and asset value;
- (vii) without the prior written consent of our WFOE, they shall not cause Shanghai Qiyu to execute any material contract, except the contracts executed in the ordinary course of business or with our WFOE, its direct or indirect offshore parent companies or their direct or indirect subsidiaries;
- (viii) without the prior written consent of our WFOE, they shall not cause Shanghai Qiyu to provide any person with any loan, financial assistance, security, pledge or any other form of security, or permit any form of security to be created on its assets or equity interests, except those contracts executed in the ordinary and usual course of business;
- (ix) they shall provide our WFOE with information on Shanghai Qiyu's business operations and financial condition within 10 days after the end of each quarter or at the request of our WFOE;

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- (x) they shall procure and maintain insurance in respect of Shanghai Qiyu's assets and business from an insurance carrier acceptable to our WFOE, at an amount and type of coverage typical for companies that operate similar businesses;
- (xi) without the prior written consent of our WFOE, they shall not cause or permit Shanghai Qiyu to merge, consolidate with, acquire or invest in any person;
- (xii) they shall immediately notify our WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Shanghai Qiyu's assets, business or revenue, shall take all necessary actions pursuant to reasonable requests of our WFOE and shall only reach settlement in respect of such proceedings with the prior written consent of WFOE;
- (xiii) to maintain the ownership by Shanghai Qiyu of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- (xiv) without the prior written consent of our WFOE, Shanghai Qiyu shall not in any manner distribute dividends to its shareholder, provided that upon the written request of our WFOE, Shanghai Qiyu shall immediately distribute all distributable profits to its shareholders;
- (xv) at the request of our WFOE, they shall appoint any persons designated by our WFOE as the directors, supervisors and/or senior management of Shanghai Qiyu or terminate existing directors, supervisors and/or senior management of Shanghai Qiyu, and perform all relevant resolutions and filing procedures; and
- (xvi) if Shanghai Qiyu or its shareholder fails to perform the tax obligations under applicable laws, and hence obstructs our WFOE in exercising its exclusive option right, Shanghai Qiyu or its shareholder shall pay the taxes or pay the same amount to our WFOE so our WFOE may pay the taxes on behalf of Shanghai Qiyu or its shareholder.

In addition, Shanghai Qibutianxia has irrevocably undertaken, among other things, that:

- (i) without our WFOE's prior written consent, it shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Shanghai Qiyu, or allow the encumbrance thereon of any security interest, except for the equity pledge under Shanghai Qiyu's equity interests pursuant to the Equity Interest Pledge Agreement;
- (ii) it shall not carry out any business or any other act that adversely affect the reputation of Shanghai Qiyu;

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- (iii) it shall take all measures to ensure the legality and validity of all licenses and permits relevant to principal businesses of Shanghai Qiyu and to renew such licenses and permits timely in accordance with the laws;
- (iv) it shall not sign any document or make any undertaking that conflicts with any legal document that has been signed and is being performed by Shanghai Qiyu, our WFOE or its designated person; it shall not by any act or omission cause any conflict of interest between itself and our WFOE or its shareholders; if any such conflict of interest arises, it shall take actions with the consent of our WFOE or its designated person to resolve such conflict timely;
- (v) without our WFOE's prior written consent, it shall not directly or indirectly participate in or carry out any business in competition or potentially in competition with the business of our WFOE, Shanghai Qiyu and their subsidiaries, or hold any interest or asset in any such business (except for interest of less than 5%);
- (vi) it shall procure the shareholders' and/or board meeting of Shanghai Qiyu to vote on the approval of the transfer of equity interests and any take any and all other actions requested by our WFOE;
- (vii) at the request of our WFOE, it shall promptly and unconditionally transfer equity interests and/or assets of Shanghai Qiyu to our WFOE or its designated person, and it hereby relinquishes any pre-emptive right it is entitled to in relation to the transfer of equity interest by any other shareholders to Shanghai Qiyu (if any); and
- (viii) it shall not request Shanghai Qiyu to pay any dividend or make any distribution in any other form in respect of its equity interests in Shanghai Qiyu, shall not propose any shareholder's resolution to that effect or vote in favor of any shareholder's resolution to that effect; to the extent permitted by PRC law, it shall waive any profit, distribution, or dividend received from Shanghai Qiyu and pay or transfer such profit, distribution, or dividend received to our WFOE or its designated person immediately.

The Exclusive Option Agreement has an indefinite term commencing from its date of signing unless and until all the equity interests and assets subject to the agreement have been transferred to our WFOE and/or its designated person and our WFOE and its subsidiaries or affiliates can legally operate the business of Shanghai Qiyu, whereby the exclusive option agreement shall terminate. Our WFOE is entitled to unilaterally terminate the Exclusive Option Agreement while other parties to the Exclusive Option Agreement may not terminate the Exclusive Option Agreement unilaterally, unless otherwise provided under PRC laws.

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Exclusive option agreements with terms that are substantially similar to the Exclusive Option Agreement described above have been entered into among (i) our WFOE, Fuzhou Financing Guarantee and Shanghai Qibutianxia, and (ii) our WFOE, Shanghai Financing Guarantee, Beijing Zhongxin Baoxin Technology Co., Ltd. and Beijing Qicaitianxia Technology Co., Ltd., respectively, on June 1, 2022.

Equity Interest Pledge Agreements

Our WFOE, Shanghai Qiyu and Shanghai Qibutianxia entered into an equity interest pledge agreement on June 1, 2022 (the “**Equity Interest Pledge Agreement**”), pursuant to which Shanghai Qibutianxia agreed to pledge all of its equity interests in Shanghai Qiyu to our WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts under the Contractual Arrangements.

Under the Equity Interest Pledge Agreement, Shanghai Qiyu and Shanghai Qibutianxia represent and warrant to our WFOE that appropriate arrangements have been made to protect our WFOE’s interests in the event of bankruptcy or any other event which causes Shanghai Qibutianxia’s inability to exercise its rights as a shareholder of Shanghai Qiyu to avoid any practical difficulties in enforcing the equity pledge agreement and shall procure or use its reasonable efforts to procure any successors of Shanghai Qibutianxia to comply with the same undertakings as if they were parties to the equity interest pledge agreement. In the event of a breach by Shanghai Qiyu or Shanghai Qibutianxia of contractual obligations under the Contractual Agreements, our WFOE, as pledgee, will have the right to dispose of the pledged equity interests in Shanghai Qiyu. Shanghai Qibutianxia has undertaken to our WFOE, among other things, not to transfer its equity interests in Shanghai Qiyu and not to create or allow any pledge thereon that may affect the rights and interest of our WFOE without its prior written consent.

The equity pledge under the Equity Interest Pledge Agreement takes effect upon registration with the relevant authority in the PRC and shall remain valid until (i) all the obligations under the Contractual Arrangements have been fulfilled; (ii) our WFOE decides to purchase, to the extent permitted by the laws of PRC, all the equity interests held by Shanghai Qibutianxia in Shanghai Qiyu, all equity interests in Shanghai Qiyu have been transferred legally to the pledgee or its designated person in accordance with the Exclusive Option Agreement mentioned above and/or the pledgee or its subsidiaries or affiliates can legally engage in the business of Shanghai Qiyu; (iii) our WFOE decides to purchase, to the extent permitted by the laws of the PRC, all the assets of Shanghai Qiyu in accordance with the Exclusive Option Agreement mentioned above, the assets of Shanghai Qiyu have been legally transferred to our WFOE and/or its designated party, and/or our WFOE, its subsidiaries and affiliates can legally engage in the business of Shanghai Qiyu using such assets; (iv) our WFOE unilaterally requests the termination of the Equity Interest Pledge Agreement; or (v) upon termination as required by applicable laws and regulations of the PRC.

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Equity interest pledge agreements with terms substantially similar to the Equity Interest Pledge Agreement described above were entered into among (i) our WFOE, Fuzhou Financing Guarantee and Shanghai Qibutianxia; and (ii) our WFOE, Shanghai Financing Guarantee, Beijing Zhongxin and Beijing Qicaitianxia, respectively, on June 1, 2022.

Voting Proxy Agreements

Our WFOE, Shanghai Qiyu and Shanghai Qibutianxia entered into a voting proxy agreement on June 1, 2022 (the “**Voting Proxy Agreement**”), pursuant to which Shanghai Qibutianxia irrevocably authorized our WFOE or any person designated by our WFOE (including any director of its direct or indirect offshore parent company and liquidators exercising such directors’ powers or other successors) to act as its attorney-in-fact to exercise all of its rights as a shareholder of Shanghai Qiyu, including, but not limited to: (i) to convene and participate in shareholders’ meeting pursuant to the constitutional documents of Shanghai Qiyu in the capacity of a proxy of Shanghai Qibutianxia, and to sign any and all written resolutions and meeting minutes for and on behalf of Shanghai Qibutianxia; (ii) to exercise the voting rights pursuant to the relevant PRC laws and regulations and the articles of Shanghai Qiyu, on behalf of Shanghai Qibutianxia, and adopt resolutions, including but not limited to dividend rights, sale or transfer or pledge or disposal of part or all of Shanghai Qiyu’s equity, and the right to appoint directors; (iii) to sign or submit any required document to any company registry or other authorities; and (iv) to nominate, designate or appoint and remove the legal representative, directors, supervisors and other senior management of Shanghai Qiyu pursuant to the constitutional documents of Shanghai Qiyu; to raise lawsuits or other legal proceedings against the directors, supervisors and senior management of Shanghai Qiyu when their behaviors harm the interest of Shanghai Qiyu or its shareholder; and to instruct the directors and senior officers to act in accordance with our attention.

Shanghai Qibutianxia has undertaken that it will refrain from any action or omission that may cause any actual or potential conflict of interest between Shanghai Qibutianxia, our WFOE or its designated person.

Shanghai Qibutianxia has also undertaken that its successors, guardians, and any other persons who may be entitled to assume rights and benefits in its equity interests in Shanghai Qiyu upon its insolvency, liquidation, dissolution or any other circumstances that may affect its exercise of the shareholders’ rights in respect of Shanghai Qiyu shall be deemed to be signatories of the Voting Proxy Agreement and assume all rights and obligations under the Voting Proxy Agreement if any of such circumstances occur.

The Voting Proxy Agreement has an indefinite term commencing from June 1, 2022 and will be terminated in the event that (i) it is unilaterally terminated by our WFOE, or (ii) it is legally permissible for our WFOE, our Company or any of our subsidiaries to hold equity interests directly or indirectly in Shanghai Qiyu and our WFOE or its designated person is registered to be the sole shareholder of Shanghai Qiyu.

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Voting proxy agreements with terms substantially similar to the Voting Proxy Agreement described above were entered into among (i) our WFOE, Fuzhou Financing Guarantee and Shanghai Qibutianxia; and (ii) our WFOE, Shanghai Financing Guarantee, Beijing Zhongxin Baoxin Technology Co., Ltd. and Beijing Qicaitianxia Technology Co., Ltd., respectively, on June 1, 2022.

Loan Agreements

Our WFOE, Shanghai Qiyu and Shanghai Qibutianxia entered into a loan agreement on June 1, 2022 (the “**Loan Agreement**”), pursuant to which our WFOE is entitled to provide interest-free loans, to the extent permitted by laws, regulations and industry policies of the PRC from time to time at such time and amount as it deems appropriate to Shanghai Qibutianxia for the purposes of Shanghai Qiyu’s business operation and development, including but not limited to directly injecting such funds to the registered capital of Shanghai Qiyu.

Each of the loans made under the Loan Agreement has no fixed term. Unless otherwise agreed, our WFOE shall unilaterally decide when to withdraw the loans, provided that our WFOE shall notify Shanghai Qibutianxia in writing one month in advance.

The Loan Agreement shall remain in effect during Shanghai Qiyu’s term and the renewable period stipulated by the laws of the PRC. The Loan Agreement shall automatically terminate after our WFOE and/or other entities designated by our WFOE fully exercise all their rights an interest directly held by Shanghai Qibutianxia in Shanghai Qiyu under the Exclusive Option Agreement mentioned above. Our WFOE may unilaterally terminate the Loan Agreement after thirty (30) days’ notice. Unless otherwise stipulated by the law of the PRC, neither Shanghai Qibutianxia nor Shanghai Qiyu shall have the right to unilaterally rescind or terminate the loan agreement under any circumstances.

Loan agreements with terms substantially similar to the Loan Agreement described above were entered into among (i) our WFOE, Fuzhou Financing Guarantee and Shanghai Qibutianxia; and (ii) our WFOE, Shanghai Financing Guarantee, Beijing Zhongxin Baoxin Technology Co., Ltd., Shanghai Qibutianxia and Beijing Qicaitianxia Technology Co., Ltd., respectively, on June 1, 2022.

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Other Key Terms of the Contractual Arrangements

A description of other key terms that apply to the applicable agreements under the Contractual Arrangements is set out below:

Arrangements to Protect our Group's Interests in the Event of Bankruptcy of the Registered Shareholders and in the Event of Death, Bankruptcy or Divorce of the Beneficial Shareholder of Shanghai Qibutianxia

The Registered Shareholders of our Principal VIEs include Shanghai Qibutianxia, Beijing Zhongxin and Beijing Qicaitianxia.

Pursuant to the Contractual Arrangements, each of the Registered Shareholders shall not, among others, file a petition for corporate separation, merger, bankruptcy, liquidation, dissolution and termination, without prior written consent of our WFOE. Furthermore, each of the Registered Shareholder undertakes to our WFOE that, in the event of bankruptcy, liquidation or other circumstances regarding the Registered Shareholders which may affect the exercise of its direct or indirect equity interest in Shanghai Qiyu, Fuzhou Financing Guarantee or Shanghai Financing Guarantee, each Registered Shareholder's respective successor, liquidator, and any other person/entity which may as a result of the above events obtain the equity interest or relevant rights directly or indirectly, shall not prejudice or hinder the enforcement of the Contractual Arrangements.

Both Shanghai Qicaitianxia and Beijing Zhongxin are wholly-owned by Shanghai Qibutianxia. Shanghai Qibutianxia is owned as to 65.74% by Tianjin Qixinfukong Technology Co., Ltd. (天津奇信富控科技有限公司), which is in turn owned as to 84.95% by Tianjin Qixinzhiheng Technology Co., Ltd. (天津奇信志成科技有限公司), a company of which Mr. Zhou is the largest shareholder with 17.38% equity interest. Such arrangement would be favorable for the enforcement of the Contractual Arrangements. Mr. Zhou has confirmed and issued an undertaking to our Company that (i) he will sign all necessary documents and take all necessary acts to ensure the proper performance of the Contractual Arrangements, and (ii) he will take all necessary measures to ensure that, in the event of his death, restricted capacity or incapacity, divorce or any other event which causes his inability to exercise his rights as an indirect shareholder of Shanghai Qiyu, Fuzhou Financing Guarantee or Shanghai Financing Guarantee to perform the foregoing undertaking, his successors (including his spouse) and any other person/entity which may as a result of the above events obtain the equity interest or relevant rights in Shanghai Qiyu, Fuzhou Financing Guarantee or Shanghai Financing Guarantee directly or indirectly will be bound by the undertaking to support and safeguard the enforcement of Contractual Arrangements.

As advised by our PRC Legal Adviser, there is no legal impediments to enforce the terms and arrangements under the Contractual Arrangement to safeguard the interests of the shareholders in the event of any bankruptcy or liquidation of the Registered Shareholders.

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Dispute Resolution

Each of the agreements underlying the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute with respect to the construction and performance of the Contractual Arrangements, the parties shall first negotiate in good faith to resolve the dispute; in the event the parties fail to settle the dispute within thirty (30) days of a negotiation request, any party may submit the relevant dispute to China International Economic and Trade Arbitration Commission for arbitration in accordance with its then effective arbitration rules. The arbitration shall be held in Beijing and conducted in Chinese. The arbitral award shall be final and binding on all parties. Except for the subject matter of the dispute itself, the parties shall continue exercising and performing their respective rights and obligations under the Contractual Arrangements.

The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of our Consolidated Affiliated Entities or injunctive relief or order the winding up of our Consolidated Affiliated Entities; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the mainland China and the places where the principal assets of our Consolidated Affiliated Entities are located for interim remedies or injunctive relief.

In connection with the dispute resolution method as set out in the Contractual Arrangements and the practical consequences, we are advised by our PRC Legal Adviser that:

- (a) a tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our Consolidated Affiliated Entities pursuant to current PRC laws and regulations; and
- (b) interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; therefore, in the event we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities.

As a result of the above, in the event that 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 Related to Our Corporate Structure – The registered shareholders of our VIEs may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition” for details.

Conflict of Interest

Each of the Registered Shareholders has given its irrevocable undertakings in the Voting Proxy Agreement which address potential conflicts of interests that may arise in connection the Contractual Arrangements. See “– Voting Proxy Agreements.”

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Loss Sharing

Under the relevant PRC laws and regulations, neither our Company nor our WFOE is legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entities. Further, our Consolidated Affiliated Entities are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. Our WFOE intends to continuously provide to or assist our Consolidated Affiliated Entities in obtaining financial support when deemed necessary. In addition, given that our Group conducts a substantial portion of its business operations in the PRC through our Consolidated Affiliated Entities, which hold the requisite PRC operational licenses and approvals, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses.

Liquidation

Pursuant to the exclusive option agreements, in the event of a mandatory liquidation required by the PRC laws and regulations, the Registered Shareholders have irrevocably undertaken that, in compliance with the PRC laws and regulations, Shanghai Qiyu, Fuzhou Financing Guarantee and Shanghai Financing Guarantee shall transfer all remaining asset to our WFOE or assignee, at the lowest price as permitted by the PRC laws and regulations. Shanghai Qiyu, Fuzhou Financing Guarantee or Shanghai Financing Guarantee shall waive any payment obligation of our WFOE or assignee arising thereon to the extent permitted by then applicable laws of the PRC in force; or shall return our WFOE or assignee any income (if any) arising from such transaction to the extent permitted by then applicable laws of the PRC in force.

Pursuant to the exclusive option agreements and the exclusive business cooperation agreements, the Registered Shareholders have undertaken to appoint committees designated by our WFOE as liquidation committees upon the winding up of Shanghai Qiyu, Fuzhou Financing Guarantee or Shanghai Financing Guarantee to manage their respective assets. However, in the event of a mandatory liquidation required by PRC laws and regulations or bankruptcy liquidation, these provisions may not be enforceable under the PRC laws and regulations.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

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Our Confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its business through our Consolidated Affiliated Entities under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our Directors are of the view that the Contractual Arrangements are narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations. Our PRC Legal Adviser is of the opinion that:

- (1) parties to each of the Contractual Arrangements are entitled to execute the agreements;
- (2) 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;
- (3) the execution and performance of the Contractual Arrangements do not violate the articles of association of the Principal VIEs;
- (4) the execution of the Contractual Arrangements does not require any pre-approvals from the PRC governmental authorities, except that:
 - (a) the pledge of any equity interest in the Principal VIEs in favor of our WFOE is subject to registration requirements with the relevant PRC government authorities;
 - (b) the exercise of any exclusive option rights by our WFOE under the exclusive option agreements may subject to the approval, filing or registration requirements with the relevant authorities under the then prevailing PRC laws and regulations;
 - (c) the transfer of the equity interest in our Consolidated Affiliated Entities 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 judgments in relation to the performance of the Contractual Arrangements are subject to applications to the competent PRC courts for recognition and enforcement; and

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- (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.
- (5) based on its understanding of the relevant PRC laws and regulations, subject to uncertainties of the enforceability of the dispute resolution provisions of the Contractual Arrangements, and subject as to enforceability to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors' rights generally, the discretion of relevant governmental authorities in exercising their authority in connection with the interpretation and implementation thereof and the application of relevant PRC Laws and policies thereto, each of these Contractual Arrangements is and taken as a whole are, (i) valid and legally binding on each party thereto, and (ii) enforceable in accordance with the terms thereof.
- (6) the Contractual Arrangements do not violate any mandatory provisions of current PRC laws and regulations.

Our PRC Legal Adviser has also advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Since PRC laws and regulations governing the validity of these Contractual Arrangements are uncertain and the relevant governmental authorities have broad discretion in interpreting these laws and regulations, we cannot assure you or make any prediction that the Contractual Arrangements will not result in any violation. Accordingly, the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC Legal Adviser. It is uncertain whether any other new PRC laws or regulations relating to consolidated affiliated entity structures will be adopted or if adopted, what they would provide. If we or our Consolidated Affiliated Entities are found to be in violation of any existing or future PRC laws, rules or regulations, or fail 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: (a) revoking the business licenses of such entity; (b) discontinuing or restricting the conduct of any transactions between certain of our PRC subsidiaries and Consolidated Affiliated Entities; (c) imposing fines, confiscating the income from our Consolidated Affiliated Entities, or imposing other requirements with which we or our Consolidated Affiliated Entities may not be able to comply; (d) requiring us to restructure our ownership structure or operations, including terminating the Contractual Arrangements with our Consolidated Affiliated Entities and deregistering the equity pledges of our Consolidated Affiliated Entities, which in turn would affect our ability to consolidate, derive economic interests from, or exert effective control over our Consolidated Affiliated Entities; or (e) restricting or prohibiting our use of the proceeds of any of our financing outside China to finance our business and operations in China.

Our PRC Legal Adviser conducted consultations with the MIIT in April 2021 and with Fujian Financial Supervision Administration and Shanghai Putuo Financial Services Office in March 2021 and July 2022, all being the competent authorities to give relevant confirmations

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as advised by our PRC Legal Adviser. During the consultations, the respective officers confirmed that they do not object to the adoption of the Contractual Arrangements, nor do they expect there to be any penalty or fine on our Group for the adoption of the Contractual Arrangements.

Based on the above advice from our PRC Legal Adviser and confirmation from relevant governmental authorities, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations, and except for the relevant clauses as described in the paragraph headed “Dispute Resolution” and “Liquidation” in this section, each of the agreements under the Contractual Arrangements is enforceable under the PRC laws and regulations.

We are aware of a Supreme People’s Court ruling (the “**Supreme People’s Court Ruling**”) made in October 2012 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission made in 2010 and 2012 which invalidated certain contractual arrangements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravene the prohibition against “concealing an illegitimate purpose under the guise of legitimate acts” set out in Article 52 of the PRC Contract Law and the General Principles of the PRC Civil Law. It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of the PRC courts and/or arbitration panels taking similar actions against contractual arrangements commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC; and (ii) the incentive for the registered shareholders under such contractual arrangements to renege on their contractual obligations.

Pursuant to Article 52 of the PRC Contract Law, a contract is void, among other circumstances, where an illegitimate purpose is concealed under the guise of legitimate acts; our PRC Legal Adviser is of the view that the agreements under the Contractual Arrangements would not be deemed as “concealing illegal intentions with a lawful form” under Article 52 of the PRC Contract Law for the following reasons: (a) the parties to the Contractual Arrangements have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right; and (b) the purpose of the Contractual Arrangements is not to conceal illegal intentions, but to pass the economic interests received by our consolidated affiliated entities to our Company.

Furthermore, the PRC Civil Code came into effect on January 1, 2021 and the PRC Contract Law and the General Principles of the PRC Civil Law was repealed simultaneously. The PRC Civil Code no longer specifies “concealing illegal intentions with a lawful form” as the statutory circumstance of a void contract but stipulates certain circumstances which will lead to the invalidation of civil juristic acts, including but not limited to a civil juristic act performed by a person having no capacity for civil conducts, a civil juristic act performed by the actor and the counterparty based on false expression of intention, a civil juristic act violates the mandatory provisions of laws and administrative regulations, a civil juristic act violates of public order and morals, etc. The provisions on the validity of civil juristic acts also apply to

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the validity of contracts. Our PRC Legal Adviser is of the view that the Contractual Arrangements would not fall within the above circumstances which will lead such arrangements as invalid civil juristic act under the PRC Civil Code.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of Financial Results of Our Consolidated Affiliated Entities

Under the exclusive business cooperation agreements, it was agreed that, in consideration of the services provided by our WFOE, our Principal VIEs will pay services fees to our WFOE. The service fees, without contravening PRC laws, are equal to the entirety of the total consolidated profit of our Principal VIEs and its subsidiaries, after the deduction of any accumulated deficit in respect of the preceding financial year(s) (if applicable), operating costs, expenses, taxes and other payments required by the relevant laws and regulations to be reserved or withheld. Notwithstanding the foregoing, our WFOE may adjust the services scopes and fees at its discretion in accordance with PRC tax law and practice as well as the needs of the working capital of our Consolidated Affiliated Entities, and our Principal VIEs shall unconditionally accept such requests of our WFOE. Our WFOE also has the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entities. Accordingly, our WFOE has the ability, at its sole discretion, to extract all of the economic benefit of the Principal VIEs through the Exclusive Business Cooperation Agreements.

In addition, under the exclusive option agreements, our WFOE has absolute contractual control over the distribution of dividends to the shareholders of our Consolidated Affiliated Entities in any form as our 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 and regulations) to our Company.

As a result of these Contractual Arrangements, our Company has obtained control of our Consolidated Affiliated Entities through our WFOE and, at our Company's sole discretion, can receive all of the economic interest returns generated by our Consolidated Affiliated Entities. Accordingly, the results of operations, assets and liabilities, and cash flows of our Consolidated Affiliated Entities are consolidated into our Company's financial statements.

Our Directors consider that our Company can consolidate the financial results of our Consolidated Affiliated Entities into our Group's financial information as if they were our Company's subsidiaries. Our Reporting Accountant has issued an unqualified opinion on our Group's consolidated financial information as of and for the years ended December 31, 2019, 2020, and 2021 and the six months ended June 30, 2022 as included in the Accountants' Report set out in Appendix IA to this document.

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FOREIGN INVESTMENT LAW

Background

On March 15, 2019, the Foreign Investment Law was formally passed by the thirteenth NPC and took effect on January 1, 2020. The Foreign Investment Law stipulates forms of foreign investment as below:

- foreign investors set up foreign invested enterprises in China severally or jointly with other investors;
- foreign investors acquire shares, equity, properties or other similar interests in any domestic enterprise;
- foreign investors invest in new projects in China severally or jointly with other investors; and
- foreign investors invest through any other methods under laws, administrative regulations, or provisions prescribed by the State Council.

The Foreign Investment Law stipulates that the negative list is applied in certain industry sectors. The negative list set out in the Foreign Investment Law classified the relevant prohibited and restricted industries into the catalog of prohibitions and the catalog of restrictions, respectively, according to which, the foreign investors are not allowed to invest in the areas in which the foreign investment is prohibited. Foreign investors are allowed to invest in sectors set out in the catalog of restrictions, subject to the satisfaction of certain conditions. Foreign investors are allowed to invest in any sector beyond the negative list and shall be managed on the same basis as domestic investments.

Where a foreign investor invests in the sectors specified in the catalog of prohibitions, the relevant competent departments shall order it to stop the investment activities, and dispose of the shares, properties or other necessary measures within a time limit to restore the state before the investment is implemented and the illegal income shall be confiscated (if any). Where the investment activities of a foreign investor violate the restrictive special management measures stipulated in the sectors specified in the catalog of restrictions, the relevant competent departments shall order it to make corrections and take necessary measures to meet the requirements for access to special management measures; where the offender refuses to make corrections, punishments are implemented according to the provisions of the preceding paragraph.

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Impact and potential consequences of the Foreign Investment Law on the Contractual Arrangements

Our PRC Legal Adviser has advised that, since contractual arrangements are not specified as foreign investments under the Foreign Investment Law, and no relevant laws, administrative regulations or provisions of the State Council have incorporated contractual arrangements as a form of foreign investment, the Foreign Investment Law does not apply to our Contractual Arrangements, and it does not substantially change the identification of foreign investors in the field of foreign investment and the principle of recognition and treatment of our Contractual Arrangements. Therefore, each of the agreements comprising the Contractual Arrangements will not be materially affected and will continue to be legal, valid and binding on the parties if there are no changes to relevant laws and regulations in this respect. Notwithstanding the above, the Foreign Investment Law stipulates that foreign investors investing through any other methods stipulated under laws, administrative regulations or provisions of the State Council may be considered as a form of foreign investment. It is therefore possible that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment. However, as of the Latest Practicable Date, it was uncertain as to how our Contractual Arrangements will be handled.

If the Relevant Business is no longer falling within the catalogue of restrictions or certain conditions and permission of foreign investment access required under the Negative List (2021) or other foreign investment policies and we can legally operate our business under PRC laws and regulations, our WFOE will exercise the option under the exclusive option agreements to acquire the equity interest/assets of Shanghai Qiyu, Fuzhou Financing Guarantee and Shanghai Financing Guarantee and unwind the Contractual Arrangements subject to any applicable approvals from the relevant governmental authorities, and subject to any application or approval procedures by the relevant governmental authorities.

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:

- (1) 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;
- (2) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (3) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (4) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of our WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.