WHO WE ARE TODAY

Established in 2016, we are a Credit-Tech platform in China that provides a comprehensive suite of technology services to assist financial institutions and consumers and SMEs in the loan lifecycle, ranging from borrower acquisition, preliminary credit assessment, fund matching and post-facilitation services, with 360 Jietiao app as our primary user interface. We are dedicated to making credit services more accessible and personalized to consumers and SMEs through Credit-Tech services to financial institutions, whereby we deploy our technology solutions to help financial institutions identify the diversified needs of consumers and SMEs, effectively access prospective borrowers that are creditworthy through multi-channels, enhance credit assessment on prospective borrowers, and manage credit risks and improve collection strategies and efficiency, among others. With user insights distilled from long-term engagement with users across life and business scenarios enabled by AI and data analytics, our technology solutions empower financial institutions across different stages of the loan lifecycle, enabling them to extend the reach of services and satisfy the financing needs of consumers and SMEs, and deliver to users more accessible credit services. In turn, we derive service fees from our technology solutions to financial institutions as our primary source of revenue streams. As of June 30, 2022, we had cumulatively facilitated approximately RMB1,127.5 billion (US$168.3 billion) of loans to 25.6 million borrowers. As of the same date, we had 41.3 million users with approved credit lines, accumulatively. As of June 30, 2022, the outstanding balance of consumer loans facilitated by us reached RMB131.1 billion (US$19.6 billion). With a focus on the consumer Credit-Tech market, we have been gradually expanding our services to the SME Credit-Tech market. We bear credit risks under credit-driven services, under which we either provide guarantee services against potential default risks for the loans funded by our financial institution partners or fund certain loans through trusts and ABSs or Fuzhou Microcredit. As of June 30, 2022, the outstanding loan balance under credit-driven services was RMB67.9 billion. As of June 30, 2022, we recorded guarantee liabilities-contingent for off-balance sheet loans facilitated under credit-driven services of RMB3,320 million (US$496 million). During the Track Record Period, our repayments to financial institution partners relating to guarantee liabilities-contingent, net of subsequent recoveries from the borrowers, were RMB2,881 million, RMB3,938 million, RMB3,337 million and RMB2,127 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

Drawing on our proprietary technologies, we brought forth an intuitive digital platform enabling financial institutions to offer borrowers revolving lines of credit with flexible loan tenors, available through convenient application processes on our platform. Prospective borrowers are able to obtain a line of credit and select from our diversified loan product portfolio the one that best fits their needs typically within a few minutes after the application is submitted. In this timeframe, our system on the back-end is able to complete credit profiling and fraud detection on a given prospective borrower, matching such borrower and our financial institution partners based on their risk preferences, as well as assisting our financial institution partners in advanced credit assessment and final credit approval. For the six months ended June 30, 2022, 97% of our user profiling and evaluation is automatically completed via AI-enabled algorithms.

Our value proposition is to connect financial institutions and borrowers through our technology innovations, transforming credit services in a way that is more accessible to consumers and SMEs, while empowering financial institutions across different stages of the loan lifecycle. In particular, we believe our services provide substantial value to the following industry participants:

- **Financial institution partners.** We offer technology-driven services, empowering our financial institution partners with an efficient online lending process. Our technology infrastructure seamlessly integrates with those of our financial institution partners, providing them a wide range of technology solutions that collectively deliver real-time automatic borrower acquisition as well as enhanced credit screening, post-facilitation services and other aspects of operations. We avail our financial institution partners of a rapidly growing base of quality borrowers, an expanded scale of credit assets and improved risk-adjusted returns. As of June 30, 2022, we had established partnerships with a total of 133 financial institutions cumulatively, including national and regional banks and consumer finance companies which are non-banking financial institutions that provide loans to individuals for the purpose of consumption.

- **Consumers.** We target the large and growing population of consumers whose credit demands are underserved or unserved by traditional financial institutions. Such population typically has limited credit history and stable income with promising growth potentials and has great user lifetime values. However, in lack of effective measures to screen off the risk associated therewith, credit services from traditional financial institutions have not effectively penetrated this group. Leveraging our advanced technology and credit profiling capabilities, we are able to effectively identify users with low delinquency risks and convert them into borrowers, thereby enabling financial institutions to extend their borrower reach while availing these borrowers of suitable, easy-to-access financial products with sufficient lines of credit, reasonable pricing and high levels of flexibility. We believe we are chosen by our users because of our well-established industry reputation and the convenient, fast, intuitive and transparent user experience that we offer through our platform.

- **SMEs.** Since late 2020, we have begun facilitating tailored loan products to quality SMEs. We believe this group is unserved or underserved by traditional financial institutions, which typically focus on providing services to larger enterprises with a long credit history and operating track record, and with tangible collateral for loans. Drawing on our data analytics and credit profiling capabilities, we are equipped to identify those SMEs who are less likely to carry delinquency risks despite their lack of sufficient credit records and tangible collaterals, and convert them into borrowers of our financial institution partners. The tailored products extended through our platform are flexible, collateral-free and satisfactory to the SMEs' credit needs.

Our Services

We offer diverse services to our partners and users. Our services are generally categorized into either credit-driven services or platform services based on the nature of services and the level of credit risks associated therewith. In each type of these services, regardless of the level of credit risks involved, we empower partners and users with an efficient lending/borrowing process, improved credit assessment and enhanced lending/borrowing experience.

- **Credit-driven services.** We match prospective borrowers with financial institutions and empower financial institutions in borrower acquisition, credit assessment, fund matching, and post-facilitation services. Loan products offered under this line of services are, in most cases, funded by our financial institution partners to whom we provide guarantee services against potential default risks, with the remainder extended by trusts and ABSs or Fuzhou Microcredit, which is licensed to conduct micro-lending business in China. As we provide guarantees against potential defaults or fund certain loans through trusts and ABSs or Fuzhou Microcredit, we bear credit risks under credit-driven services.

- **Platform services.** Tailoring to our financial institution partners' diverse needs, we provide customized technology solutions at different stages of the loan lifecycle, such as borrower acquisition, credit assessment and post-facilitation services. Specifically, our platform services include comprehensive loan facilitation and post-facilitation services under the capital-light model, intelligent marketing services to financial institution partners under Intelligence Credit Engine (ICE), referral services and risk management SaaS. We currently do not take credit risk under platform services. For the year ended December 31, 2021 and the six months ended June 30, 2022, loans facilitated by us under platform services accounted for approximately 54.4% and 54.8% of our total loan facilitation volume, respectively.

    - ***Capital-light model.*** Under the capital-light model, we facilitate transactions between prospective borrowers and our financial institution partners through a comprehensive suite of technology-enabled services spanning the loan lifecycle, from borrower acquisition, technology empowerment in credit assessment to post-facilitation services such as loan performance monitoring and loan collection. For loans facilitated under the capital-light model, we generate income through service fees charged to financial institution partners according to pre-negotiated terms. As of June 30, 2022, we had worked with 56 financial institution partners under the capital-light model, cumulatively.

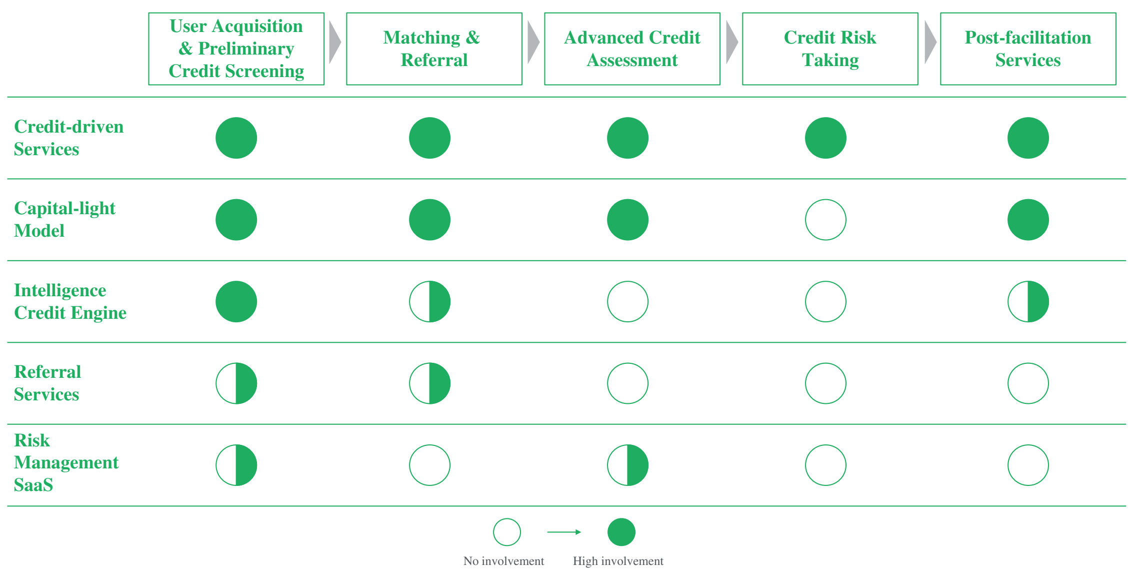
    - ***Intelligence Credit Engine (ICE).*** ICE is an open platform that offers financial institutions intelligent marketing services. We match prospective borrowers and our financial institution partners leveraging user analytics and cloud computing technologies, and assist financial institution partners with preliminary credit screening of borrowers. We earn pre-negotiated service fees from financial institution partners and do not bear credit risks.

- ***Referral services.*** We refer some users on our platform who do not fit our financial institution partners' risk preference to certain online lending companies, and earn referral fees.

- ***Risk management SaaS.*** In 2020, we began offering financial institutions on-premise deployed, modular risk management SaaS to empower them to acquire borrowers and improve credit assessment results. Under this model, we typically take technology service fees or consulting fees for the corresponding technology solutions elected by the financial institutions.

The chart below illustrates our level of involvement spanning different stages of the loan lifecycle by service type.

Our Services



Our Business Scale

We have experienced rapid and continuous growth since inception. As of June 30, 2022, we had 41.3 million users with approved credit lines in the aggregate and had cumulatively served 25.6 million borrowers. As of June 30, 2022, we had cumulatively facilitated approximately RMB1,127.5 billion (US$168.3 billion) of loans with an outstanding loan balance of RMB150.5 billion (US$22.5 billion).

Our total net revenue increased by 47.1% from approximately RMB9.2 billion in 2019 to approximately RMB13.6 billion in 2020, and further by 22.6% to approximately RMB16.6 billion in 2021. Our total net revenue increased by 11.9% from RMB7.6 billion in the six months ended June 30, 2021 to RMB8.5 billion (US$1.3 billion) in the same period of 2022. We generated net income of RMB2.5 billion, RMB3.5 billion, RMB5.8 billion, RMB2.9 billion and RMB2.1 billion (US$321 million) in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively.

The graph below displays the loan facilitation volume, outstanding loan balance, cumulative number of users with approved credit lines, cumulative number of borrowers, total net revenue and net income from 2017 to 2021 and for the six months ended June 30, 2021 and 2022.

Our Collaboration with 360 Group and Kincheng Bank

360 Group

We partner with 360 Group (SH: 601360), a leading technology company in China, in areas including, among others, technology, user traffic and brand. Historically, we had benefitted from 360 Group's experience and unique technology edges in security and anti-fraud.

Kincheng Bank

We also closely collaborate with Kincheng Bank of Tianjin Co., Ltd., or Kincheng Bank, an affiliate of 360 Group and in which Mr. Zhou beneficially owned approximately 5.85% of the equity interests on a look-through basis as of the Latest Practicable Date, across a full array of loan facilitation and post-facilitation services. Kincheng Bank is one of the three private banks with an internet company as its largest shareholder in China, according to iResearch. As of June 30, 2022, Kincheng Bank was our largest financial institution partner measured by outstanding loan balance. During the Track Record Period, revenue attributable to loans funded by Kincheng Bank under credit-driven services was nil, nil, nil and RMB2 million (US$0.2 million) in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. During the same periods, revenue attributable to loans funded by Kincheng Bank under platform services was nil, RMB16 million, RMB1,881 million and RMB684 million (US$102 million) in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

The following table sets forth the transaction amounts for the transactions between Kincheng Bank and us for the periods presented.

	Transaction amounts *(RMB)*
For services provided by us to Kincheng Bank	2020: 15.7 million 2021: 1,880.5 million 2022 6M: 685.7 million
Amounts due from Kincheng Bank to us	2020: 13.5 million(1) 2021: 771.3 million(2) 2022 6M: 572.3 million(3)

Notes:

(1) Loan facilitation and post-facilitation services was RMB15.1 million, net of allowance of RMB1.1 million.

(2) Loan facilitation and post-facilitation services of RMB823.6 million, net of allowance of RMB106.3 million.

(3) Loan facilitation and post-facilitation services of RMB490.2 million, net of allowance of RMB108.1 million.

* We have held bank deposit with Kincheng Bank, which amounted to RMB320 million as of December 31, 2021. For more details, see Note 10 of the Accountants' Report in Appendix IA.

Besides, we collaborate with Kincheng Bank in areas such as user acquisition, data analytics and risk management empowerment under both credit-driven services and platform services in the same manner as we collaborate with other financial institution partners. For example, we deploy Argus Engine with AI-powered data analytic capabilities in fraud detection and initial credit assessment and share with Kincheng Bank the results of such assessment to facilitate its final risk management and credit decision making. Our strategic partnership with Kincheng Bank brings us vast opportunities in expanding the scope of our products and services to consumers and SMEs, and provides us the flexibility to introduce innovative technology solutions and creative commercial models within the regulatory framework, thereby strengthening our distinct competitive advantage in the industry.

OUR STRENGTHS

We believe that the following competitive strengths contribute to our success and growth.

Distinct competitive edge in a massive and growing market with high entry barrier

We currently primarily target the consumer Credit-Tech market, which is massive and rapidly growing. According to iResearch, the size of the consumer Credit-Tech market in China reached RMB5.2 trillion in 2021 measured by total outstanding loan balance, and is projected to reach RMB8.1 trillion in 2026, representing a five-year CAGR of 9.2%. Over the years, we have built clear competitive edges in three major aspects. First, we have obtained the required permits and licenses from relevant governmental authorities to operate in the consumer Credit-Tech market against the backdrop of increasingly tightened regulatory requirements. Second, we have developed robust data analytics, credit assessment and other technology capabilities, which put us in a strong position in the industry. Third, we have developed deep understanding of users and financial institutions and built a vast user base and a broad network of financial institution partners. All of the foregoing factors invariably take lengthy time and heavy investments to develop, and therefore arm us with competitive advantages over our peers and new market entrants.

We have obtained a competitive position among our peers in the consumer Credit-Tech market. As of June 30, 2022, the outstanding balance of consumer loans facilitated by us reached RMB131.1 billion (US$19.6 billion). As of the same date, the outstanding loan balance under credit-driven services was RMB67.9 billion, under which we either provide guarantee services against potential default risks for the loans funded by our financial institution partners or fund certain loans through trusts and ABSs or Fuzhou Microcredit. We recorded guarantee liabilities-contingent of RMB3,320 million (US$496 million) and allowance for loans receivable of RMB1,337 million (US$200 million) as of the same date. Since our inception and up to June 30, 2022, we had accumulated 41.3 million users with approved credit lines and facilitated loans to 25.6 million borrowers cumulatively. With the competitive position achieved, we believe we are well-positioned to tap into the growth headroom and achieve healthy developments as we did during the Track Record Period.

Strong technology and innovation capabilities

With genes of technology, innovation and security, we are constantly innovating technologies as well as developing products and services to cater to users' needs and deliver enhanced user experience, data security and operational efficiency. Our technology capabilities have repeatedly and consistently received market recognitions over the years. In July 2021, we were awarded the Fintech of the Year by the Asset Asian Awards.

The technology advancement we possess has translated into our ability to refine existing, and develop new, business models and products and services to capture growth opportunities. We are one of the early movers in the industry to launch the capital-light model, which testifies to our innovation and technological capabilities to deal with users with a wide array of risk profiles and credit needs. Under the capital-light model, we empower financial institution partners via technology across the loan lifecycle, with credit risks associated with the loans assumed by financial institution partners. As of June 30, 2022, 56 financial institutions had partnered with us via the capital-light model cumulatively. For the year ended December 31, 2021 and the six months ended June 30, 2022, driven by the capital-light model, loans facilitated under platform services accounted for approximately 54.4% and 54.8% of our total loan facilitation volume, respectively. The successful launch of such business model exhibits, and results from, our consistent, strong track record of operation stability and advancement in credit assessment technologies, for which financial institution partners are comfortable to take risks associated with the loans facilitated by us under this model. Benefiting from our technology capabilities, our operations under the capital-light model continue to drive us towards our goal of being a technology enabler for financial institutions. Another example demonstrating our technology and innovation capabilities is our launch of the innovative "embedded finance" model in 2020, which marked one of the industry's first successful attempt in leveraging robust automated credit assessment, data analytics and other proprietary technologies, to effectively integrate consumer credit services with services of other leading online platforms that have heavy user traffic and diverse life and business scenarios. Due to the superiority of our technologies, even some of our peers in the industry have chosen to collaborate with us under "embedded finance" model to enhance user experience and further monetize their user base.

We have developed a robust, comprehensive technology infrastructure integrated with AI, cloud computing and other core technologies that drive every major aspect of our business, with which we have been able to optimize our services and achieve efficiency improvements in key elements of our operations. An exemplary case is our deployment of AI in loan collection. Since the launch of our independently developed AI robot in 2019, we have witnessed continuous improvement in operational efficiency of post-facilitations services. For the six months ended June 30, 2022, our AI-powered chatbots handled 65% of our total collection volume, and maintained a 30 day collection rate of approximately 86%.

Over the years, we have equipped ourselves with a large, productive research and development team with a deep IP reserve. As of June 30, 2022, our research and development team represented 36.5% of our total employees. In addition, investment in research and development has consistently been our strategic focus. In line with our revenue growth during the Track Record Period, our research and development related expenses witnessed continual increase at a rate of 40.9%, 35.5% and 58.8% in 2020, 2021 and the six months ended June 30, 2022, respectively, in comparison with their corresponding preceding period. Our creativity and continuous pursuit in technology innovations has crystalized into a large portfolio of patents and other intellectual properties. As of June 30, 2022, we had 68 registered patents, 900 patents pending approval, and 66 registered software copyrights in China.

Robust credit assessment capabilities repeatedly validated by the market

We pride ourselves with market validated credit assessment capabilities, which make us a highly competitive player in the consumer Credit-Tech market. Our AI-powered Argus Engine assesses risks spanning the loan lifecycle, including fraud detection, credit profiling and post-facilitation services. In addition, tailored to SMEs, we have specifically built an enterprise edition of the Argus Engine. The system takes a full review of business records, tax data, invoice data, supply chain and other miscellaneous information to evaluate the risk profiles of SMEs. Furthermore, our real-time graph engine can efficiently identify various risk factors of prospective borrowers. As of June 30, 2022, the real-time graph engine was in the fourth generation with more than 2 billion nodes and 58 billion edges. It conducts approximately 120 million times online calculations on a daily basis. We also have in place a highly functioning risk-based pricing system, our Cosmic Cube Pricing Model, which applies the borrowers' risk profiles, interest rate sensitivities and other market factors to establish more competitive pricing terms for loan products. Such robust credit analysis systems collectively bring forth more affordable credit lines to borrowers while delivering improved risk-adjusted returns to financial institution partners.

Our preemptive risk awareness and powerful risk analysis capabilities enable us to achieve superior asset quality of the loan portfolios while maintaining our steady growth trajectory. For example, benefiting from Argus Engine's credit profiling capabilities which enable us to effectively identify prospective borrowers with good credit standing, we were able to promptly carry out various adjustments to our services with a focus on improving credit assessment and collection at the beginning of the COVID-19 pandemic and during several regional outbreaks of COVID-19 variants, including strategically filtering borrowers who have a relatively high likelihood of falling delinquent and proactively communicating with our financial institution partners to consider amending the terms of the loan repayment period for certain borrowers who were unable to make prompt repayment due to the adverse impact of COVID-19. These adjustments enabled us to not only overcome the challenges caused by the adverse impact of COVID-19, but also reinforce our strengths in the industry. With leading credit assessment capabilities, we have maintained one of the lowest delinquency rates among our peers in the industry during the Track Record Period, according to iResearch.

Multichannel and efficient user acquisition with a broad user base

Our user acquisition capabilities enable us to acquire users across all online life and business scenarios, with which we have built a broad user base. Moreover, we are the pioneer in the industry to deploy Real Time Advertising Programing Interface Data Management Platform (RTA-DMP) in user acquisition, which draws on AI technology to effectively identify our target users while maintaining reasonable borrower acquisition costs.

In addition, capitalizing on our advanced risk analysis and user profiling capabilities, we are chosen by many leading online platforms with heavy user traffics to cooperate under "embedded finance" model. See "– Strong technology and innovation capabilities." As of June 30, 2022, we had cumulatively partnered with 34 online platforms with consumption scenarios and embedded finance has become an important user acquisition channel.

We have also engaged an on-the-ground sales force, mainly consisting of over 2,600 third-party relationship managers in 97 cities in China, as of June 30, 2022, to expand our reach to certain type of targeted users with more sophisticated credit demands, which are more suitable to convert offline. These third-party relationship managers primarily conduct offline marketing activities to attract prospective borrowers including SMEs, such as participating in activities organized by financial institutions for high quality borrower acquisition.

Drawing on our ability to acquire users both online and offline, our diverse product and service offerings and our improvement of cost-efficiency in user acquisition, we have constructed a broad user base. As of June 30, 2022, we had accumulated 41.3 million users with approved credit lines and facilitated loans to 25.6 million borrowers. Furthermore, beginning in late 2020, we started to enter the SME Credit-Tech market, taking another step to expand our user base. Our broad and diverse user base avails us of multiple levers across consumption and business scenarios and avenues for services and monetization.

Diversified funding sources supported by a broad network of financial institution partners

We have established long-term relationships with many financial institutions in China. Our financial institution partners enjoy the benefit of selecting from a wide range of technology solutions and flexible commercial arrangements offered by us that best fit their needs. Our offerings empower these financial institution partners to extend their services to borrowers who were unserved or underserved by conventional financial products or services, and to achieve improved risk-adjusted returns. Leveraging our prudent and diverse service models, strong data analytics, technology-driven credit assessment capabilities and deep insights into the rapidly evolving Credit-Tech industry in China, we had forged long-term relationships with 133 financial institution partners cumulatively as of June 30, 2022, which included national and regional banks and consumer finance companies.

Our broad, diverse and sustainable network of financial institution partners provides us steady and relatively low-cost source of funding with wide geographical coverage. For the year ended December 31, 2021 and the six months ended June 30, 2022, financial institutions accounted for 100% of our total funding. With sufficient and strong funding commitment from our financial institution partners, we have the flexibility to recommend suitable products to borrowers with different combination of funding sources depending on the market conditions.

Our strategic partnership with Kincheng Bank further solidifies our funding advantage. Kincheng Bank is one of the three private banks with an internet company as its largest shareholder in China, according to iResearch. As of June 30, 2022, Kincheng Bank contributed approximately RMB32.0 billion to our outstanding loan balance, making it one of our primary financial institution partners in the network. Our relationship with Kincheng Bank ensures a steady stream of funding. Such strategic collaboration also gives us the opportunities to explore innovative approaches to funding partnership. For example, from time to time, we launch more creative product options and commercial models with Kincheng Bank to gain valuable insights. The implementation of such insights when we offer similar products and terms to broader collaboration with other financial institution partners empowers us to achieve distinct advantage in the industry.

In addition, we have been exploring alternative funding initiatives, which include standardized capital instruments such as the issuance of ABSs. As of June 30, 2022, we had issued RMB14.0 billion ABSs cumulatively to diversify our funding sources and further lower our funding cost.

Experienced management team and entrepreneurial company culture

Our core management team is equipped with extensive knowledge of technology and finance, broad technical background and strong execution skills. Our chief executive officer, Mr. Haisheng Wu, has over 14 years of experience overseeing internet product management and operations. Led by the distinguished key personnel, we have assembled a management team with a diversity of skills and experiences across technology, financial services, risk analysis, regulation and data science. With our management team's risk and technology focused mindset and prudent operational approach, we were able to grow our business quickly and ascend in the consumer Credit-Tech market through every stage of the economic cycle.

We pride ourselves with unique and entrepreneurial culture, demonstrated by our close attention to user demand as well as our commitment to creating an open-minded and vigorous work environment that fosters innovation. Backed by such culture, we devote ourselves to the optimization of our products, services and technologies and the enhancement of efficiency in decision-making and strive to maintain our market position.

OUR GROWTH STRATEGIES

We intend to pursue our mission and vision and grow our business by pursuing the following strategies.

Further penetrate the consumer Credit-Tech market

We plan to continue converting internet users with strong credit profiles and relatively low delinquency risks into users of our platform under the evolving regulatory landscape. In achieving this objective, we expect to optimize our user acquisition through innovations and the development of technologies that further improve our risk analysis capabilities, while leveraging our user insights. Moreover, targeting at our broad user base, we plan to develop more diversified loan products in collaboration with our financial institution partners. We also intend to optimize our "embedded finance" model to strategically strengthen our partnerships with leading online platforms with heavy user traffic and enhance our efficiency in user acquisition across our partner network. In addition, we plan to increase our online advertising effort to reach more potential users.

Advance our technology and risk management empowerment capabilities

Aiming to accomplish more effective and targeted user acquisition, more optimized user experience and more efficient operations, we will continue to develop and enhance our technology infrastructure and systems. In particular, we intend to continually refine our AI-driven data analytics and other advanced technologies, and hone the profiling precision and automation of our proprietary platform. We plan to persist in fine-tuning our Argus Engine and Cosmic Cube Pricing model, and further upgrading our algorithms in data analytics, thereby refining our credit assessment and pricing for consumers as well as SMEs from precision and efficiency standpoints. Accompanying the growth of our total loan facilitation volume, we will utilize our data insights to enhance the automation and predictive power of our credit profiling models. Furthermore, we will increase our investments in technology infrastructure, systems and talent acquisition and retention.

Further develop our capital-light model and technology solutions

We strive to engage in more collaborations with financial institution partners under the capital-light model and incrementally increase the share of our capital-light model among our offerings. To achieve this objective, we plan to continuously showcase to financial institutions our advanced capabilities in borrower acquisition, risk analysis, pricing efficiency and post-facilitation services. Furthermore, we will keep devoting ourselves to enriching the portfolio of our technology solutions to address more of financial institutions' needs across the lending process and along their operations. We also endeavor to further modularize our technology solutions and their functions to further enhance our ability to customize services to financial institutions.

Strengthen our partnerships with financial institution partners

We will continue to strengthen our strategic partnerships with Kincheng Bank and expand our collaboration with other financial institution partners, thereby further developing a diverse and sustainable low cost funding network. We plan to collaborate with Kincheng Bank more closely to reinforce our funding advantage by introducing more innovative approaches to funding partnership. In addition, we will continue to incentivize our current and potential financial institution partners to use our platform services and explore more innovative means toward collaboration in areas such as data analytics, credit profiling and modeling, product development and user acquisition in the consumer Credit-Tech and SME Credit-Tech markets.

Further develop our business in the SME Credit-Tech market

We intend to strategically develop our business in the SME Credit-Tech market while monitoring the macroeconomic environment, by continuing to build on our strengths in user acquisition and credit profiling, empowering traditional financial institutions to smoothly go through the digitalization of their services offered to SMEs. In addition, we plan to continue to employ online marketing channels to achieve deeper market penetration. We also intend to assist our financial institution partners in offering improved financial products and further expand our user base in the SME Credit-Tech market by leveraging our strengths in funding network, data analytics and credit profiling.

OUR SERVICES

We match underserved and unserved users with credit demand to a diversified pool of financial institutions with credit to supply, through both credit-driven services and platform services.

The following table presents our operating data related to credit-driven services and platform services, respectively, for the years ended or as of December 31, 2019, 2020, 2021 and for the six months ended or as of June 30, 2021 and 2022:

	For the year ended/As of December 31,												For the six months ended/As of June 30,							
	2019				2020				2021				2021				2022			
	Loan facilitation volume	%	Ending balance	%	Loan facilitation volume	%	Ending balance	%	Loan facilitation volume	%	Ending balance	%	Loan facilitation volume	%	Ending balance	%	Loan facilitation volume	%	Ending balance	%
	(in RMB millions, except for percentages)																			
Credit-driven services	171,422	86.1	58,086	80.1	177,234	71.8	62,718	68.1	162,878	45.6	64,720	45.6	75,719	46.6	59,373	50.5	89,004	45.2	67,910	45.1
Platform services	27,649	13.9	14,427	19.9	69,524	28.2	29,357	31.9	194,225	54.4	77,268	54.4	86,882	53.4	58,187	49.5	108,110	54.8	82,580	54.9
Total	**199,071**	**100.0**	**72,513**	**100.0**	**246,758**	**100.0**	**92,075**	**100.0**	**357,103**	**100.0**	**141,987**	**100.0**	**162,601**	**100.0**	**117,559**	**100.0**	**197,114**	**100.0**	**150,490**	**100.0**

Credit-driven services

Under the credit-driven services category, we match prospective borrowers with financial institutions and empower financial institutions in borrower acquisition, credit assessment, fund matching, and post-facilitation services. Loan products offered under this line of services are, in most cases, funded by our financial institution partners, with the remainder extended by Fuzhou Microcredit, which is licensed to conduct micro-lending business in China. In both cases, we bear credit risks of the loans. For loans extended by our financial institution partners, we provide guarantees against potential defaults. Such contractual guarantee arrangement is underwritten either by the licensed Consolidated Affiliated Entities, or third-party licensed guarantee companies or insurance companies, to which we may provide back-to-back guarantee at their request. With respect to loan facilitation services for loans funded by financial institution partners, we charge service fees directly from our financial institutional partners pursuant to pre-negotiated terms based on the contractual agreements that vary from case to case. Our service fee rate is typically the difference between the loan pricing rate, which is set by the relevant financial institutions, and a fix rate, which is subject to negotiation on a case-by-case basis and will be charged by the relevant financial institutions as their income. For loans funded by Fuzhou Microcredit, we charge borrowers interest fees, which reflects a number of factors including the credit profile of the borrowers, the availability of funding and the associated funding cost, and the tenure of relevant loan products, among others.

Platform services

Our platform services include loan facilitation and post-facilitation services through our capital-light model, intelligent marketing services to financial institution partners under Intelligence Credit Engine, referral services and risk management SaaS. We currently do not take credit risk under platform services. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, loans facilitated under our platform services accounted for approximately 13.9%, 28.2%, 54.4%, 53.4% and 54.8% of our total loan facilitation volume respectively.

Capital-light model

We launched the capital-light model in 2018 with the focus on implementing our strategic transition from a traditional risk bearing loan facilitator to a technology enabler. Under the capital-light model, we facilitate transactions between prospective borrowers and our financial institution partners through a suite of technology-enabled services spanning across the loan lifecycle, including borrower acquisition, technology empowerment in credit assessment, and post-facilitation services such as loan performance monitoring and loan collection. Under the capital-light model, we currently provide limited guarantee to certain collaborating insurance companies in the event of bankruptcy and certain financial institution partners pursuant to their internal requirements. As of June 30, 2022, the outstanding loan balance under capital-light model for which we provide guarantee services was RMB1.4 billion, representing 2.6% of our total outstanding loan balance under capital-light model as of the same date. Given the nature of such guarantee arrangements and the our assessment that the likelihood of bankruptcy to occur with respect to the insurance companies is remote, we believe that such credit risks that we may take under the platform services are negligible. For loans facilitated under the capital-light model, we generate income through service fees charged to financial institution partners according to pre-negotiated terms that vary from case to case. Our service fee rate is typically a certain percentage of the pricing rate that is set by the relevant financial institution partners on the loans to borrowers. As of June 30, 2022, we had cumulatively worked with 56 financial institution partners under the capital-light model.

Intelligence Credit Engine (ICE)

ICE is an open platform that offers financial institution partners intelligent marketing services. For loans facilitated through ICE, we match prospective borrowers with financial institution partners based on comprehensive data analysis and cloud computing technologies, and assist financial institution partners with preliminary credit screening of borrowers, but do not provide advanced credit assessment. We earn pre-negotiated service fees from financial institution partners and do not bear credit risks. Our service fee rate is typically a certain percentage of the pricing rate that is set by the relevant financial institution partners on the loans to borrowers, and the service fee rate is subject to negotiations with the relevant financial institution partners and varies from case to case.

Referral services

Because different financial institution partners prescribe different metrics assigned with various values in granting credit line approvals to prospective borrowers, sometimes, some users fail to match the criteria of, and thereby are not accepted by, our financial institution partners. However, such borrowers may still be within the target borrower group of other online lending companies. To offer better user experience to our users and maximize the value of user traffic on our platform, we provide referral services primarily to other online lending companies in line with industry practice and earn referral fees. We consider referral services to be supplemental in nature to our loan facilitation services. The scale of this line of services is relatively small, and referral fees generated from it fluctuates significantly from period to period.

Risk Management SaaS

In 2020, we began to offer financial institutions on-premise deployed, modular risk management SaaS. Integrated with our credit assessment insights and algorithms as well as other proprietary technologies, our risk management SaaS helps financial institution partners acquire borrowers and improve credit assessment results. Under this model, we typically take technology service fees or consulting fees for the corresponding technology solutions elected by the financial institutions.

In terms of accounting treatments, under credit-driven services, we either provide guarantees for loans funded by financial institution partners, which are recorded as off-balance sheet loans, or fund loans through trusts and ABSs or Fuzhou Microcredit, which are record as on-balance sheet loans. Under platform services, all loans facilitated through our platform are recorded as off-balance sheet loans. We have a large balance of guarantee liabilities during the Track Record Period, as we provide guarantees under credit-driven services. We also have a large balance of accounts receivable and contract assets as well as financial assets receivable during the Track Record Period, mainly arising from off-balance sheet loans, as well as loans receivable, mainly arising from on-balance sheet loans. We have established an evaluation process designed to determine the adequacy of our impairment allowances and guarantee liabilities, and an allowance for uncollectible receivables and contract assets based on estimates that incorporate historical delinquency rate by vintage and other factors surrounding the credit risk of specific underlying loan portfolio. However, actual losses and credit risk are difficult to forecast. For more details, see "Risk Factors – Risks Related to Our Business and Industry – We need to engage guarantee companies to provide credit enhancement or additional comfort to our financial institution partners, and we recognize guarantee liabilities for accounting purposes. If we fail to source and engage a guarantee company to our financial institution partners' satisfaction at a reasonable price, our collaboration with our financial institution partners will deteriorate, and our results of operations may be adversely and severely impacted. If our guarantee liability recognition fails to address our current status, we may face unexpected changes to our financial conditions", "Risk Factors – Risks Related to Our Business and Industry – We are subject to credit risks associated with our accounts receivable, contract assets, financial assets receivables and loans receivable" and "Financial Information – On-and Off-balance Sheet Treatment of Loans." In terms of revenue recognition, we recognize financing income from on-balance sheet loans over the lifetime of the loans using effective interest method. For the off-balance sheet loans funded by financial institution partners, we recognize revenue from loan facilitation services, revenue from post-facilitation services and revenue from guarantee services (only applicable to off-balance sheet loans facilitated under credit-driven services). Please refer to "Financial Information – On-and Off-Balance Sheet Treatment of Loans" and "Financial Information – Key Line Items And Specific Factors Affecting Our Results of Operation – Net revenue" for details. The table below sets forth details of the balance of outstanding on-balance sheet loans and off-balance sheet loans as of the dates indicated.

	As of December 31,						As of June 30,			
	2019		2020		2021		2021		2022	
	Outstanding Loan Balance	*%*	*Outstanding Loan Balance*	*%*	*Outstanding Loan Balance*	*%*	*Outstanding Loan Balance*	*%*	*Outstanding Loan Balance*	*%*
	(RMB in millions, except for percentages)									
On-balance sheet loan	**9,394**	**13.0**	**7,893**	**8.6**	**13,349**	**9.4**	**9,917**	**8.4**	**15,501**	**10.3**
through trusts and ABSs	9,237	12.8	6,606	7.2	10,476	7.4	8,028	6.8	10,152	6.7
through Fuzhou Microcredit	158	0.2	1,287	1.4	2,873	2.0	1,889	1.6	5,348	3.6
Off-balance sheet loan	**63,119**	**87.0**	**84,182**	**91.4**	**128,639**	**90.6**	**107,643**	**91.6**	**134,989**	**89.7**
Total	**72,513**	**100.0**	**92,075**	**100.0**	**141,987**	**100.0**	**117,560**	**100.0**	**150,490**	**100.0**

Products offered to users

Our core product offered to users is an affordable, digital revolving line of credit allowing multiple loan drawdowns, with a convenient application process and flexible loan tenors. Our products are provided under the 360 Jietiao brand.

The following graphic illustrates the user interface of our 360 Jietiao app.

Our engagement with prospective consumer borrowers begins with a credit application which typically takes a few minutes. Once approved by our financial institution partners, a prospective borrower is granted a line of credit, typically with a principal amount ranging from RMB1,000 to RMB200,000, for drawdowns based on specific needs with an amount typically between RMB500 and RMB200,000. Prospective borrowers with good credit standing may be granted a higher credit line of up to RMB300,000 for different consumption needs. The average single drawdown amount for consumer borrowers for the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022 was RMB4,360, RMB5,303, RMB5,781 and RMB7,707 (US$1,151), respectively. When an approved borrower makes a drawdown request, we perform preliminary credit assessment on such borrower to ensure his or her continued qualification for drawdown before the request is transmitted to our financial institution partners for independent final risk assessment and loan disbursement approval. Once a drawdown is approved, a borrower may elect a loan tenor best suited for his or her financial needs, in fixed terms of one month, three months, six months, twelve months, eighteen months, twenty-four months or thirty-six months, to be repaid in monthly installments. In the instance where we provide guarantee services, the guarantee services are provided throughout the loan tenor. We are also offering other payment terms such as repayment at any time with a fixed daily interest within one or two months. There is no interest-free period, but we may offer interest-free coupon in certain limited cases as promotional activities to promote borrowers' interactions with our platform. The average outstanding balance for each consumer borrower for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 was approximately RMB8,278, RMB12,148, RMB15,432 and RMB16,142 (US$2,410), respectively.

Aiming to serve credit needs of SMEs and address their unique risk profiles, we introduced 360 SME ("小微貸") under the 360 Jietiao brand in late 2020. Currently, our 360 SME portfolio consists of three products, including e-commerce loans, enterprise loans and invoice loans, which offer a line of unsecured credit with high limit and flexible loan tenors targeting credit demands of SMEs in different business settings and at different stages of business development. Depending on the product type, SME borrowers will be granted a credit line typically with a principal amount ranging from RMB20,000 to RMB1,000,000, for drawdowns based on specific needs with an amount typically between RMB500 and RMB1,000,000. The average single drawdown amount for SME borrower for the year ended December 31, 2021 and the six months ended June 30, 2022 was RMB19,023 and RMB23,245 (US$3,470), respectively. Once a drawdown is approved, a borrower may elect a loan tenor in fixed terms of one month, three months, six months, twelve months, eighteen months, twenty-four months or thirty-six months, to be repaid in monthly installments. In the instance where we provide guarantee services, the guarantee services are provided throughout the loan tenor. We are also offering other payment terms such as repayment at any time with a fixed daily interest within one or two months. There is no interest-free period, but we may offer interest-free coupon in certain limited cases as promotional activities to promote borrowers' interactions with our platform. The average amount of approved credit lines for each SME borrower for the year ended December 31, 2021 and the six months ended June 30, 2022 was approximately RMB76,731 and RMB73,826 (US$11,022), respectively.

The table below presents the number of consumer borrowers and key features of loans for our consumer borrowers during the Track Record Period.

	For the Year ended December 31,			For the Six Months ended June 30,
	2019	**2020**	**2021**	**2022**
Number of Borrowers[1] (in millions)	11.6	9.9	10.2	5.3
Typical Drawdown Amount (in RMB)	500~ 200,000	500~ 200,000	500~ 200,000	500~ 200,000
Average Single Drawdown Amount[2] (in RMB)	4,360	5,303	5,781	7,707
Typical Loan Tenor (months)	1~24	1~24	1~36	1~36
Average Loan Tenor (months)	7.9	9.7	10.3	11.2
Nominal APR[3]	16.6%	15.3%	15.0%	12.9%
Effective APR[4]	28.8%	27.2%	26.0%	23.0%

Notes:

(1) "Number of Borrowers" refers to the number of borrowers who made at least one loan drawdown during the specified period.

(2) Average single drawdown amount data excludes (i) loans facilitated under risk management SaaS, for which we do not have the relevant information of the number of borrowers and incidences of their drawdowns as these are loans approved and managed by our financial institution partners themselves, and (ii) v-pocket product, which is a virtual credit card product that allows for multiple, frequent and small-amount drawdowns and which does not represent the typical and representative loan products offered through our platform. The data for 2019 and 2020 also exclude loans facilitated under ICE which represented a relatively small portion of total loan facilitation volume and hence were not included in the average drawdown amount calculation for our business monitoring purpose.

(3) The annualized rate for borrowing, calculated by the average monthly payment of all-in interest costs and other fees paid by borrowers, divided by the initial loan facilitation amount, multiplied by 12. The nominal APR data excludes loans facilitated under risk management SaaS and ICE.

(4) Effective APR data for 2021 and 2022 are calculated through the IRR methodology, while those for 2019 and 2020 are not. The PBOC only disclosed the official IRR calculation methodology in March 2021 and we are not able to trace the IRR metric in 2019 and 2020. The effective APR for 2021 and 2022 is the annualized internal rate of return, or IRR, at which the net present value of all ordinary cash outflows (e.g., the principal of loans) and ordinary cash inflows (e.g., the principal repayment, the interest income, the loan facilitation service fees, and other income) from a loan or a group of loans equals zero, assuming all the cash inflows other than interest income are received at the beginning of the period. The effective APR for 2019 and 2020 is calculated as nominal APR divided by the loan duration and multiplied by the loan tenor. The effective APR data excludes loans facilitated under risk management SaaS and ICE.

The table below presents the number of SME borrowers and key features of loans for our SME borrowers during the Track Record Period.

	For the Year ended December 31, 2021	For the Six Months ended June 30, 2022
Number of Borrowers[1] (in millions)	0.4	0.3
Typical Drawdown Amount (in RMB)	500~ 1,000,000	500~ 1,000,000
Average Single Drawdown Amount[2] (in RMB)	19,023	23,245
Typical Loan Tenor (months)	1~36	1~36
Average Loan Tenor (months)	14.0	14.1
Nominal APR[3]	14.5%	13.9%
Effective APR[4]	23.8%	22.6%

Notes:

(1) "Number of Borrowers" refers to the number of borrowers who made at least one loan drawdown during the specified period.

(2) Average single drawdown amount data excludes loans facilitated under risk management SaaS, for which we do not have the relevant information of the number of borrowers and incidences of their drawdowns as these are loans approved and managed by our financial institution partners themselves.

(3) The annualized rate for borrowing, calculated by the average monthly payment of all-in interest costs and other fees paid by borrowers, divided by the initial loan facilitation amount, multiplied by 12. The nominal APR data excludes loans facilitated under risk management SaaS and ICE.

(4) The effective APR for 2021 and 2022 is the annualized internal rate of return, or IRR, at which the net present value of all ordinary cash outflows (e.g., the principal of loans) and ordinary cash inflows (e.g., the principal repayment, the interest income, the loan facilitation service fees, and other income) from a loan or a group of loans equals zero, assuming all the cash inflows other than interest income are received at the beginning of the period. The effective APR data excludes loans facilitated under risk management SaaS and ICE.

Total loan facilitation volume made through our platform in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022 was RMB199.1 billion, RMB246.8 billion, RMB357.1 billion, RMB162.6 billion and RMB197.1 billion (US$29.4 billion), respectively. The outstanding balance of all loans made through our platform increased from RMB72.5 billion as of December 31, 2019 to RMB92.1 billion as of December 31, 2020, to RMB142.0 billion as of December 31, 2021, and further to RMB150.5 billion (US$22.5 billion) as of June 30, 2022. The average contractual tenor of loans facilitated in 2019, 2020, 2021 and the six months ended June 30, 2022 was 7.9 months, 9.7 months, 10.6 months and 11.5 months, respectively.

In terms of the performance of the loans, the 30 day+ delinquency rate for all loans facilitated through our platform, including those under credit-driven services and platform services, was 2.8%, 2.5%, 3.1% and 4.4% as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. The 90 day+ delinquency rate for all loans facilitated through our platform, including those under credit-driven services and platform services, was 1.3%, 1.5%, 1.5% and 2.6% as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. For more details, please refer to "– Credit Assessment – Our credit performance."

OUR SERVICE PROCESS AND OPERATION FLOW

With the focus on empowering financial institution partners and serving consumers and SMEs, our platform offers services covering the entire loan lifecycle. In particular, we set forth below the service process and operation flow for our end-to-end loan facilitation services under credit-driven services, as well as capital-light model and ICE under platform services, which are the three primary models of services we offer. Credit-driven services and the capital-light model follow the same service process and operational flow from credit line approval to loan drawdown, and differ only in the post-facilitation stage, where under credit-driven services in which we bear credit risks, we make guarantee repayments to our financial institution partners if needed. For ICE, as we provide financial institution partners intelligent marketing services, we mainly conduct preliminary credit screening of prospective borrowers during the credit line approval stage, therefore participating in fewer steps in the loan lifecycle than we do under credit-driven services and the capital-light model.

Stage 1: Credit line approval

Step 1: Paperless credit application. For new users, our service journey begins with such users' registration of an account on our platform by providing us with certain basic information and authorization to collect other information for fraud detection and credit assessment, among others. The credit application process typically takes a few minutes, after which we initiate a user portrait profiling, fraud detection and credit assessment process.

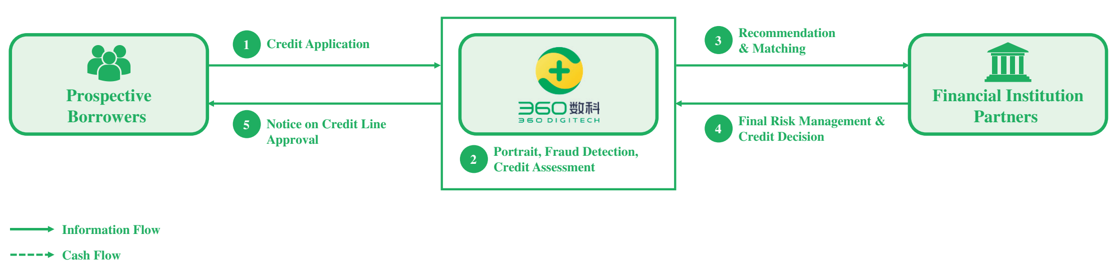
Step 2: Portrait profiling, fraud detection and credit assessment. We deploy the Argus Engine to build a prospective borrower profile for fraud detection and credit assessment. Drawing on our database, AI-enabled credit assessment system, Argus Engine, and understanding through interactions with a broad user base, we are able to develop a more accurate and comprehensive prospective borrower portrait. Once an applicant passes the fraud detection test, we initiate a comprehensive credit assessment and generate a proprietary credit score for the applicant under credit-driven services and the capital-light model, or conduct only preliminary credit screening under ICE. Under credit-driven services and the capital-light model, following credit assessment, our Cosmic Cube Pricing Model formulates initial pricing recommendation to be provided to financial institution partners based on the overall credit profile of prospective borrowers and other market factors. See "– Credit Assessment" for details of the credit assessment process.

Step 3: Recommendation and matching. Through our workflow system CloudBank, under both credit-driven services and the capital-light model, we then recommend the prospective borrower's profile along with pricing recommendation to our financial institution partners and share the results of our preliminary credit assessment with them to facilitate their final risk management and credit decision making including loan tenor, approved credit line, and other key terms of a loan product. For ICE, we only recommend prospective borrowers to financial institution partners based on the results of preliminary credit screening, and do not provide pricing recommendations.

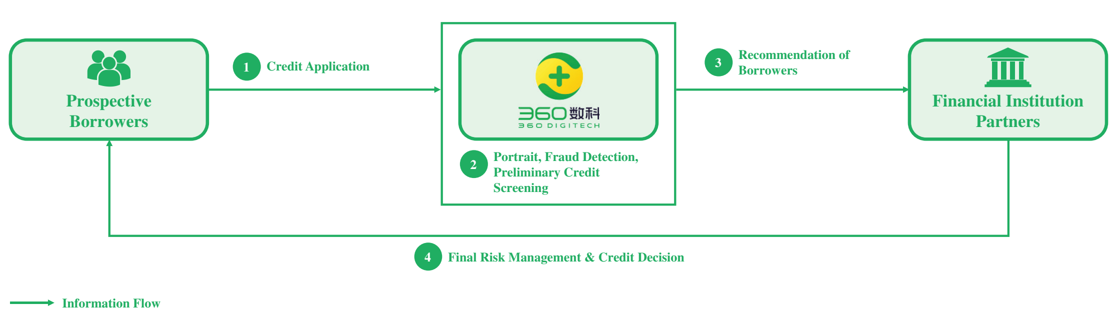
Step 4: Final risk management and credit decision by financial institutions. The financial institution partners conduct final risk management and make their credit decisions based on their respective credit process and regulatory guidelines.

Step 5: Notice on credit line approval. Following their final risk management, each financial institution partner will respond to our workflow system indicating approval or rejection, and in the case of approval, their maximum level of credit exposure. Upon receiving the credit approval decision from financial institution partners, we pass such information to prospective borrowers through our platform.

The diagram below illustrates the step-by-step workflow and transaction process at the stage of credit line approval under the credit-driven service and the capital-light model.



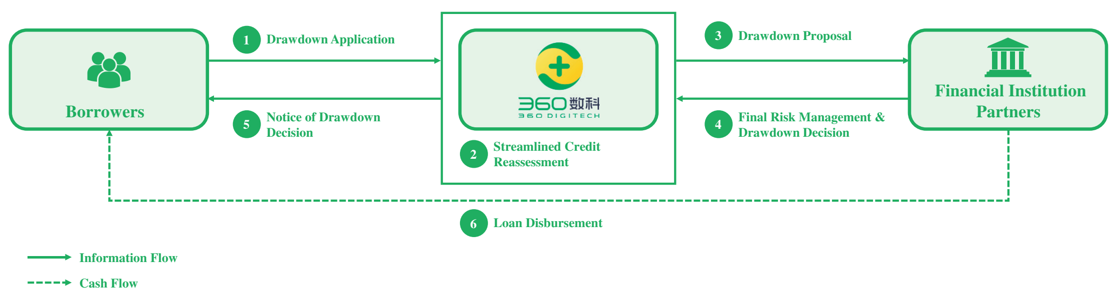
For ICE, as we only recommend prospective borrowers to financial institutions after preliminary credit screening, we do not participate in the credit line approval step, and financial institutions offer their own loan products and directly notify the borrowers of their credit approval decision. The diagram below illustrates the step-by-step workflow and transaction process at the stage of credit line approval under ICE.



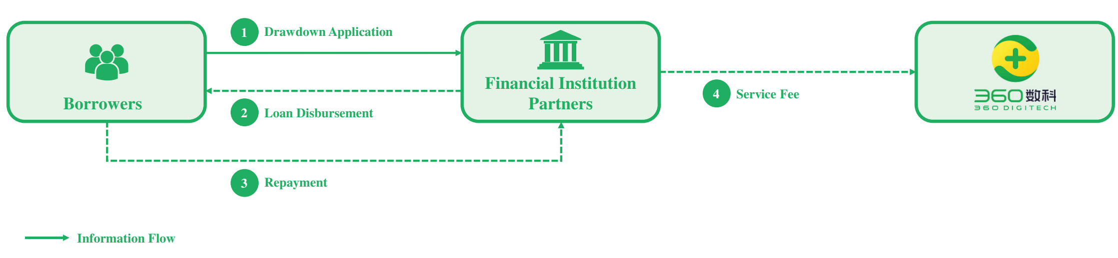
Stage 2: Loan drawdown

Once a credit line is granted, a prospective borrower may request a drawdown at any time, subject to the credit limit approved by the financial institution partner. Upon receipt of a drawdown request, the Argus Engine conducts a streamlined credit assessment to ensure the prospective borrower's continued qualification for drawdown and notifies our financial institution partners of the drawdown request, which complete their final risk management and reach a drawdown decision. We undertake to notify the borrower the drawdown decision and the financial institution partner that is matched with the borrower will disburse loan to the borrower. Once the principal of the loan is transferred to the borrower, we recognize revenue from loan facilitation services for services provided to the financial institution partner.

The diagram below illustrates the step-by-step workflow and transaction process at the stage of loan drawdown under the credit-driven service and the capital-light model.

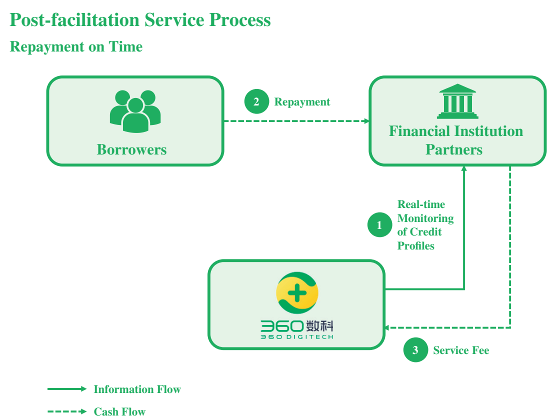


For ICE, although the prospective borrower's drawdown application is made through our platform, the application is directly sent to our financial institution partner through the application programming interface (API) without us processing of the information in any way. The diagram below illustrates the step-by-step workflow and transaction process at the stage of loan drawdown under ICE.



Stage 3: Post-facilitation services: continual credit profile monitoring and collection

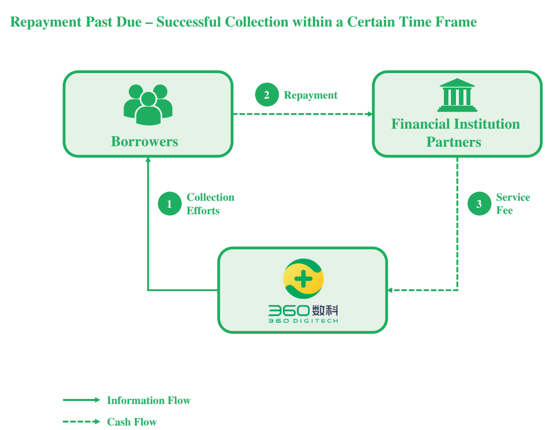
Robust data analytics technologies have enabled us to continuously monitor the credit profiles of borrowers. After a borrower makes a loan drawdown, our Argus Engine tracks his or her borrowing and repayment activities, and automatically adjusts such borrower's credit profile on an ongoing basis. Borrowers typically make repayments to our financial institution partners through third-party payment platforms rather than through our platform, which is a common practice in the industry although subject to the specific arrangements between Credit-Tech platforms and financial institutions according to iResearch. We recognize revenues from post-facilitation services on a straight-line basis over the term of the underlying loans. We typically collect pre-negotiated service fees (inclusive of fees for loan facilitation services, post-facilitation services and guarantee service fees, if applicable) from financial institution partners on a monthly basis as borrowers make repayments over the term of the underlying loans. The diagram below illustrates the step-by-step workflow and transaction process at the stage of our post-facilitation services under credit-driven services and capital-light model under platform services for cases where repayment is made on time.

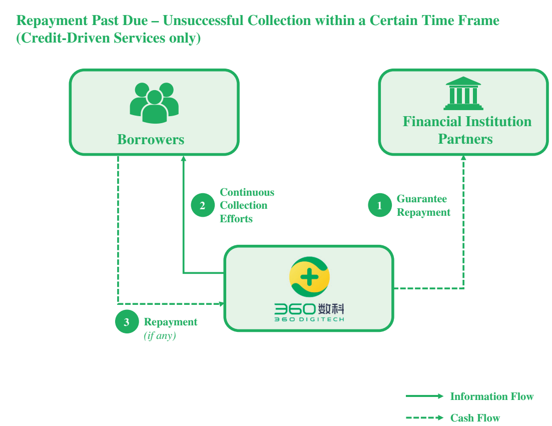


If a loan is overdue, the Argus Engine, together with other robust data analytical algorithms, will automatically prescribe an initial collection approach based on borrower profiles. Based on the analysis results, we will first initiate an AI-driven, automated process, including AI-initiated calls and text messages, for collection of the outstanding amount typically between 1 and 4 days after the loan repayment is due. In-house human collection calls are typically made between 5 and 60 days of loan delinquency, along with other automated collection techniques, subject to adjustments. For details of our collection efforts, see "– Credit Assessment – Collection." For loans under credit-driven services where we take credit risks, we will make guarantee repayments to the financial institution partners if a loan is past due typically between 30 and 60 days, subject to the terms of the relevant agreements, after which we will retain any repayment made by the borrower. We estimate the amount of guarantee repayments to be made to financial institution partners every month and reserve such funds in advance. In the meantime, we will deploy continuous collection efforts, including outsourcing the collection to third-party collection service providers, to collect the delinquent amount, particularly after 60 days of loan delinquency. After notifying the borrower that fails to make repayment over a certain time frame, the financial institution partners would assign their claims to Fuzhou Financing Guarantee or Shanghai Financing Guarantee (before its financing guarantee license was cancelled upon its voluntary application), each a Consolidated Affiliated Entity, and Fuzhou Financing Guarantee or Shanghai Financing Guarantee, as obligee, shall acquire the relevant rights related to the claims pursuant to the PRC Civil Code. Therefore licensed Consolidated Affiliated Entities have the right to collect direct repayments from the borrowers under relevant PRC laws and regulations. We recognize revenues from guarantee services on a straight-line basis over the term of the underlying loans after the adoption of ASC

326 in 2020. For loans under the capital-light model where we do not take credit risks, we, or the third-party collection service providers which are involved at a later stage, will continue to make collection efforts in accordance with agreements with the financial institution partners up to a predetermined point in time. Because we take credit risks and provide guarantee services under credit-driven services and currently do not take credit risks under platform services, the gross fees charged under credit-driven services are generally higher than the fees charged under platform services.

The following diagrams display the step-by-step workflow and transaction process of loan collection under the credit-driven services and the capital-light model.





For loans facilitated under ICE, in the first half of 2022, we also provided very limited collection services to assist financial institution partners based on their special requests.

CREDIT DEMAND

User profile

In consumer Credit-Tech market, we target the large and growing Chinese population of users who typically has stable income with promising growth potentials and has greater user lifetime values, but are underserved or unserved by the traditional financial institutions. Prospective borrowers are generally drawn to our platform for supplemental credit solutions.

In the SME Credit-Tech market, our products mainly aim to serve SMEs with an annual operating revenue below RMB5 million, which are typically granted with credit line below RMB1 million. We believe this group of SMEs are unserved or underserved by traditional financial institutions, which typically focus on enterprises with large-scale operations.

We believe we are chosen by our users because of our reputation as a trusted and reliable platform and the convenient, fast, intuitive and transparent user experience that we offer through our platform. We have established a large base of loyal creditworthy users. The number of our users with approved credit lines increased from 24.7 million as of December 31, 2019 to 30.9 million as of December 31, 2020, to 38.5 million as of December 31, 2021 and further to 41.3 million as of June 30, 2022. Our repeat borrower contribution was 71.8%, 86.5%, 88.1%, 88.5% and 88.1% for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively.

The following table presents the age breakdown of our users with approved credit lines as of June 30, 2022.

Age	**As of June 30, 2022**
18-24	22.3%
25-29	24.2%
30-39	36.1%
40-49	14.0%
50+	3.3%
Total	**100.0%**

User acquisition

We strive to diversify the network for user acquisition, which currently comprises online advertising on channels operated by leading internet companies, "embedded finance" cooperation with online platforms with heavy user traffic, 360 Group, offline promotions and referral programs with other platforms. In the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, our acquisition cost per user with approved credit lines was RMB216, RMB138, RMB228 and RMB365, respectively.

Online advertising

We partner with leading internet traffic platforms to acquire borrowers via online advertising. We are improving our targeted marketing capabilities by leveraging data analytics so that we can place advertisements to intended users who fit into our target borrower profile more effectively. We have also developed analytics algorithms in collaboration with channel partners based on the anonymous user information aggregated from such channel partners so that users of the channel partners with credit needs can be directed to our platform with improved precision and efficiency. We intend to continue optimizing our proprietary AI and data analytics systems and expand the network of channel partners to improve user acquisition efficiency.

Embedded finance model

In 2020, we started cooperating with leading online platforms with heavy user traffic under "embedded finance" model. These platform partners include, among others, leading e-commerce platforms, ride-hailing companies and smart phone companies. Under this model, we embed our credit assessment, data analytics and other proprietary technology solutions within the partnering internet platforms. Therefore, credit services used by end users of our partnering platforms will be ultimately provided by us. Through "embedded finance," we are able to reach more users effectively while empowering our partnering platforms to improve user experience and further unleash the monetization value of their user base. We have become the Credit-Tech service partner of many leading online platforms, gaining access to a large number of internet users across consumption scenarios for potential conversion into borrowers. As of June 30, 2022, we had partnered with 34 leading online platforms cumulatively and embedded finance has become an important user acquisition channel to us.

360 Group channels

Historically, we collaborated with 360 Group in several aspects of user acquisition. Benefiting from the collaboration, which enables our mobile app to be showcased on 360 Group's products' user interfaces, we have been able to connect with 360 Group's user base. In recent years, however, prospective borrowers acquired from 360 Group has contributed significantly less to our business, as our user acquisition channels continue to diversify. In 2019, 2020, 2021 and the six months ended June 30, 2022, 1.54%, 1.03%, 0.21% and 0.10% of the total number of new users with approved credit lines was attributable to our user acquisition collaboration with 360 Group, respectively.

Offline promotion and borrower referral programs

In the meantime, we conduct offline sales and marketing activities to promote our products and services in specific regions and for specific products. In addition, we continue to acquire new users through borrower referral programs.

CREDIT SUPPLY

We have a stable and diversified base of funding partners. We primarily rely on our financial institution partners, including national and regional banks and consumer finance companies, to fund our credit products. From time to time, we also fund a small percentage of loans through Fuzhou Microcredit. With sufficient and strong funding commitment from our financial institution partners, we have the flexibility to recommend suitable products to borrowers with different combinations of funding sources depending on market conditions. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, financial institutions including Fuzhou Microcredit accounted for 89.4%, 98.8%, 100% and 100% of our total funding, respectively.

The table below sets forth a breakdown of the total loan facilitation volume by funding source for the periods indicated.

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)							
Financial Institutions	**177,999**	**89.4**	**243,818**	**98.8**	**357,103**	**100.0**	**197,114**	**100.0**
Direct disbursement	151,658	76.2	205,790	83.4	316,934	88.8	172,406	87.5
Through trusts	18,129	9.1	24,674	10.0	15,104	4.2	6,785	3.4
Fuzhou Microcredit	390	0.2	2,470	1.0	6,840	1.9	7,451	3.8
ABS	7,821	3.9	10,884	4.4	18,225	5.1	10,472	5.3
P2P platforms	**21,072**	**10.6**	**2,940**	**1.2**	**–**	**–**	**–**	**–**
Total	**199,071**	**100.0**	**246,758**	**100.0**	**357,103**	**100.0**	**197,114**	**100.0**

The table below sets forth a breakdown of the loan facilitation volume under credit driven services by funding source for the periods indicated.

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)							
Financial Institutions	**150,350**	**87.7**	**174,294**	**98.3**	**162,878**	**100.0**	**89,004**	**100.0**
Direct disbursement	124,009	72.3	136,266	76.9	122,709	75.3	64,296	72.2
Through trusts	18,129	10.6	24,674	13.9	15,104	9.3	6,785	7.6
Fuzhou Microcredit	390	0.2	2,470	1.4	6,840	4.2	7,451	8.4
ABS	7,821	4.6	10,884	6.1	18,225	11.2	10,472	11.8
P2P platforms	**21,072**	**12.3**	**2,940**	**1.7**	**–**	**–**	**–**	**–**
Total	**171,422**	**100.0**	**177,234**	**100.0**	**162,878**	**100.0**	**89,004**	**100.0**

The table below sets forth a breakdown of the loan facilitation volume under platform services by funding source for the periods indicated.

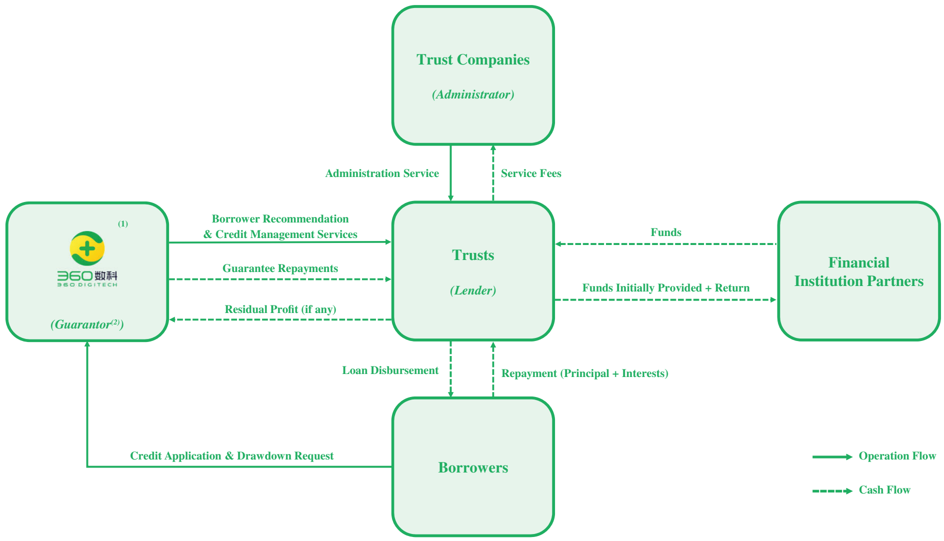
	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)							
Financial Institutions	**27,649**	**100.0**	**69,524**	**100.0**	**194,225**	**100.0**	**108,110**	**100.0**
Direct disbursement	27,649	100.0	69,524	100.0	194,225	100.0	108,110	100.0
Through trusts	–	–	–	–	–	–	–	–
Fuzhou Microcredit	–	–	–	–	–	–	–	–
ABS	–	–	–	–	–	–	–	–
P2P platforms	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**27,649**	**100.0**	**69,524**	**100.0**	**194,225**	**100.0**	**108,110**	**100.0**

Financial institutions

Our financial institution partners are primarily national and regional commercial banks with lower funding costs, more comprehensive compliance protocol and more stringent credit profiling infrastructures compared with other lenders. As of June 30, 2022, we had established partner relationship with a total of 133 financial institutions cumulatively, including national and regional banks and consumer finance companies, across 26 provinces and autonomous regions of provincial level and 64 cities in China.

In certain special cases and as mutually agreed upon by us and a small number of financial institution partners pursuant to their internal business requirements and procedures, some of the loans facilitated through our platform are funded by and disbursed indirectly through trusts, which also provide us with more flexibility to utilize the funds from the trusts for loan facilitation within the specified time frame and are in line with the industry norms. For such trust arrangements, we are considered having a controlling financial interest in the trusts under U.S. GAAP, because (i) the trusts are designed with the sole purpose to invest in loans facilitated by us and we are the credit management service provider to the trusts, so that we have the power to direct activities that can most significantly impact the economic performance of the trusts, and (ii) we assume variable benefits or losses of the trusts as we are either entitled to receive the remaining distributable profit in the trusts or obligated to repurchase any loans that are delinquent for 30 to 90 days in the trusts. Therefore, we consolidate these trusts' assets and liabilities on our balance sheet. In our consolidated financial statements, cash held by the trusts through segregated bank accounts which can only be used to invest in loans or other securities as stipulated in the trusts are recorded as "restricted cash." Loans disbursed by the trusts are recorded as "loans receivable" with all service fees charged on the loans recognized as "financing income" over the lifetime of the loans using the effective interest method. Funds provided by external investors are recorded as "payable to investors of the consolidated trusts" with the associated interest expense accrued over the subscription period and included in "funding costs." As of December 31, 2019, 2020 and 2021 and June 30, 2022, the outstanding balance for loans funded by financial institution partners through trusts was RMB6,103 million, RMB1,932 million, RMB3,108 million and RMB2,270 million, respectively.

The chart below shows the typical structure of the trust arrangements and the roles and obligations of the parties involved, including our Company, financial institution partners, the trusts, trust companies and borrowers.



Notes:

(1) Our Group also subscribe for the trusts directly in certain cases.

(2) The Consolidated Affiliated Entities with financing guarantee licenses provide guarantee services to the trusts.

For most of the trusts, financial institution partners will provide the funding, and in certain trusts, we will also subscribe and provide a portion of the funding. As of December 31, 2021 and June 30, 2022, the outstanding balance of the portion of trusts funded by us were RMB2.9 billion and RMB1.2 billion respectively. We provide borrower recommendation and credit management services to the trusts. We also provide guarantee services through the Consolidated Affiliated Entities with financing guarantee licenses, and such Consolidated Affiliated Entities would act as the guarantor and make guarantee repayments to the trusts in case of borrowers' default. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we provided guarantee services with respect to 76.7%, 54.3%, 49.1% and 72.3% of the outstanding loans funded by trusts. Trust companies are also involved to provide administration services for the trusts and receive services fees directly from the trusts, whereas the trusts will act as the lender and disburse loans facilitated through our platform to borrowers, and therefore in turn, receive repayments, including both loan principal and interests, from the borrowers. During the tenor of the trusts, financial institution partners, as the trust subscribers, will receive returns from the trusts from time to time. Upon expiry of the trusts, financial institution partners will receive repayment of the funds initially provided plus return from the trusts, and in the case where we have subscribed for a portion of the trusts, we will receive the remaining loan assets and/or funds as principal (if applicable) and residual profit (if any).

The trust arrangements are typically for a term of two years. The typical legal and contractual relationships among the parties involved under the trust arrangements, including our Company, financial institution partners, the trusts and trust companies, are as follows: (i) financial institution partners provide funding to the trust and are entitled to payments of the funds initially provided plus the returns pursuant to trust agreements between financial institution partners and trust companies; (ii) we provide borrower recommendation and credit management services to trusts administered by trust companies pursuant to the loan facilitation collaboration agreements between us and trust companies; (iii) in the instances where we provide guarantee services through the licensed Consolidated Affiliated Entities to the loans funded through the trusts, the licensed Consolidated Affiliated Entities would enter into guarantee service agreements with the trust companies; and (iv) in the instances where we subscribe for a portion of the trusts, the relevant subsidiaries of our Company would enter into trust agreements with trust companies. As advised by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, our operations under the above trust arrangements with our financial institution partners had complied with the applicable existing effective laws and regulations in all material aspects and such trust arrangements are valid, binding and enforceable under PRC laws and regulations.

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, funds disbursed by financial institutions through trusts accounted for 9.1%, 10.0%, 4.2% and 3.4% of our total funding, respectively.

The value we add to our financial institution partners includes efficient borrower acquisition through online and offline channels, credit assessment technology empowerment, post-facilitation services and risk-adjusted returns throughout economic cycles, among others. Our technology infrastructure helps enhance financial institution partners' risk management, providing them with a more seamless and real-time risk management experience.

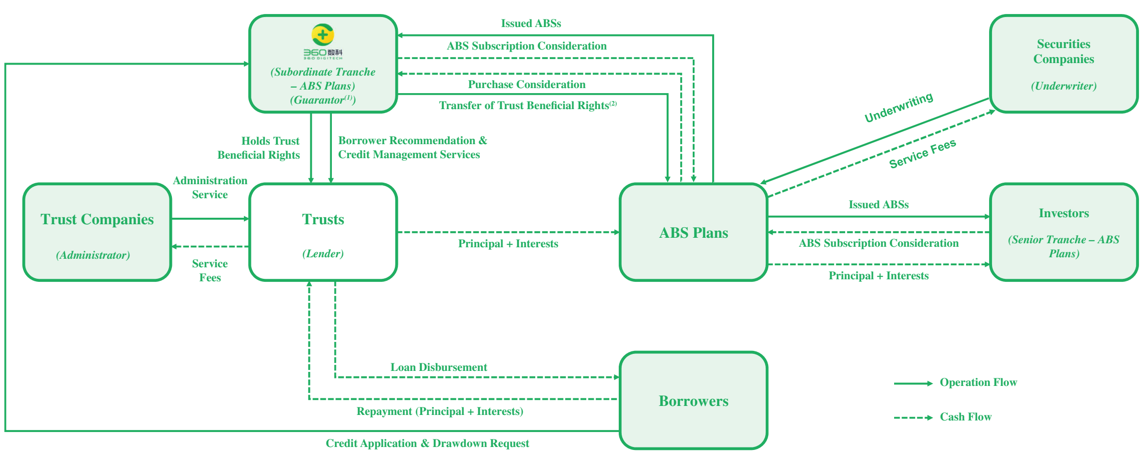
Fuzhou Microcredit

In March 2017, Fuzhou Microcredit was established, which has obtained the regulatory approval and micro-lending license to originate loans. The sources of funding for the loans funded by Fuzhou Microcredit include its registered capital and profits from its operations. For the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022, RMB390 million, RMB2.5 billion, RMB6.8 billion, and RMB7.5 billion (US$1.1 billion) of credit drawdowns on our platform were funded by Fuzhou Microcredit, representing approximately 0.2%, 1.0%, 1.9%, and 3.8% of our total funding during such period. All loans funded by Fuzhou Microcredit were recorded on our balance sheet. Currently, Fuzhou Microcredit has a registered capital of RMB5 billion, which has been fully paid.

Alternative funding initiatives

We have explored and expect to continue exploring alternative funding initiatives, which include standardized capital instruments such as the issuance of ABSs. The type of underlying assets in the asset backed special plans (the "**ABS plans**") includes beneficial rights in trusts and loans receivables. As of June 30, 2022, the expected weighted average return on the underlying assets currently being securitized in all of our outstanding ABS plans, expressed in terms of IRR, was 21.4%. The ABS plans were securitized and the issued ABSs were listed on Shanghai Stock Exchange or Shenzhen Stock Exchange. As we typically held the whole subordinated tranche securities, the ABS were consolidated by us pursuant to U.S. GAAP. As a result, the underlying assets remained as "loans receivable" in our consolidated financial statements, while the senior tranche securities purchased by external investors were recorded as "Payable to investors of the consolidated trusts" with the associated cash flows presented as financing cash flows in the consolidated cash flow statements. Interests paid and accrued on the ABS plans to external investors were recorded as part of "funding costs" within operating costs and expenses.

The typical legal procedures and flow of funds among our Company, trusts, trust companies, ABS plans, underwriters, investors and borrowers in the ABS lending model are summarized as follows.



Notes:

(1) The Consolidated Affiliated Entities with financing guarantee licenses provide guarantee services to the trusts.

(2) Alternatively, the trusts transfer the loans receivables to ABS plans.

The legal procedures for ABS issuance typically start with due diligence on the underlying assets by trust companies and other external professional parties, including legal counsel, auditor and rating agency, to ensure compliance with relevant requirements for such issuance. Then, external professional parties will help prepare legal documentations and submit application for ABS issuance to the stock exchanges on which the ABSs are listed. Once the

ABS plans are set up, securities companies will be involved to provide underwriting services to, and receive service fees from, the ABS plans. Investors will typically subscribe for the senior tranche of the ABS plans and provide most of the funding. In ABS plans, we will subscribe for the subordinate tranche of the ABS plans, thereby providing a portion of the funding. After proceeds are collected from ABS issuances, we would mainly undertake either one of the following arrangements: (i) transfer our primary beneficial rights in a trust specifically set up for the purpose of ABS issuance to ABS plans, or (ii) transfer loans receivable held by a trust specifically set up for the purpose of ABS issuance to ABS plans. Trust companies are involved to provide administration services for the trusts and receive services fees directly from the trusts, whereas the trusts will act as the lender and disburse loans facilitated through our platform to borrowers. Under the first arrangement, borrowers will make repayments of principal and interests to the trust first, which will then transfer the principal and interests to the ABS plans, representing the cash flows generated on the underlying assets. Under the second arrangement, borrowers will make repayments of principal and interests directly to the ABS plans. Upon their expiry, the ABS plans will distribute the principal and interests to investors. During the tenor of the trusts and ABS plans, we continue to provide borrower recommendation and credit management services to the trusts to maintain the quality of the underlying assets, and we also provide guarantee services to the trusts through the Consolidated Affiliated Entities with financing guarantee licenses.

We have been approved to list ABSs in a total value of RMB27 billion on the Shanghai Stock Exchange and Shenzhen Stock Exchange. As of June 30, 2022, we had issued ABSs of RMB14 billion (US$2.1 billion) with a comprehensive cost of funding less than 6.0%. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, funding contributed through ABS issuance accounted for 3.9%, 4.4%, 5.1% and 5.3% of our total funding.

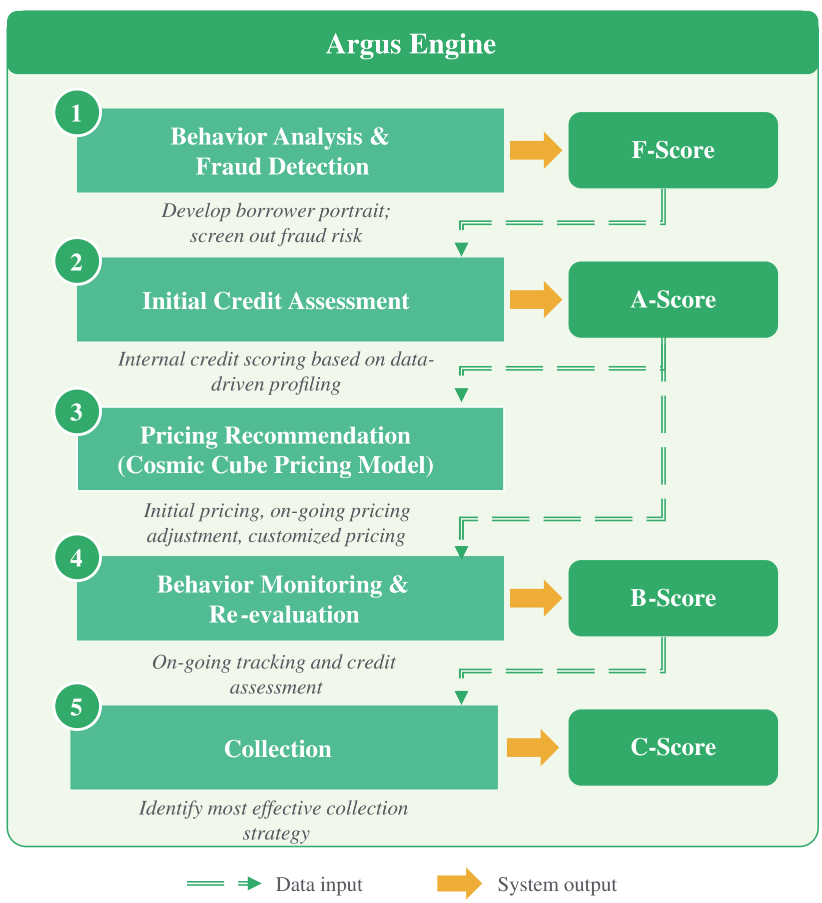
Peer-to-peer (P2P) platform

Historically, we used P2P lending platform operated by a subsidiary of Beijing Qibutianxia as a source of funding. In accordance with regulatory requirements, we have ceased our collaboration with the P2P platform since 2021. For the years ended December 31, 2019, 2020 and 2021, funding from the P2P platform accounted for 10.6%, 1.2% and 0% of our total funding, respectively. As advised by our PRC Legal Adviser, our use of P2P lending platform as a source of funding during the Track Record Period had complied with the applicable PRC laws and regulations including Circular 141 in all material aspects.

CREDIT ASSESSMENT

We believe our industry-leading credit assessment capabilities are a key competitive advantage allowing us to expand our business while maintaining consistently solid asset quality of the loan portfolios. Our credit assessment technology solutions are built upon a comprehensive database, a sophisticated credit profiling engine, and an efficient post-facilitation service process. With our technology empowerment, financial institutions conduct core risk management and credit approval independently to achieve better risk management.

The diagram below shows our credit assessment process, which is further elaborated below.



Comprehensive database

Large volume of high-quality data is a key factor differentiating Credit-Tech platforms. With users' consent to our use of their data, we have developed a comprehensive database comprising a large volume of relevant and reliable information including, among others, a user's credit history, credit lines granted by banks, consumption pattern and past repayment behavior, that are relevant to the assessment of a given user's credit risk against future borrowing. Our database currently covers financial-related information of more than 2 billion devices with 50 billion nodes among themselves, based on which our Company develop over

200 million effective features, attributes and labels of prospective borrowers. We develop our database and build user profile primarily with our first-hand and proprietary data. Meanwhile, we also partner with third-party data providers to enrich our database of credit information. For example, we have access to People's Bank of China's credit reporting system, which allows us to retrieve and submit data on borrowers' credit profiles.

Credit assessment engine

The success of our business relies on the effectiveness of our credit profiling systems. The "brain" of our credit profiling systems is our Argus Engine. Our Argus Engine integrates user database, AI-powered data analytics, and expert experience based on AI technologies, such as machine learning and deep learning, into comprehensive models. It allows us to effectively recognize and infer the patterns and relationships between information nodes and develop user profiles more accurately without substantial human intervention. For example, our Argus Engine is capable of automatically and continually training its algorithms with data in real life, and iterating and refining the precision of its profiling and decision making across the lifecycle of a loan. In addition, we have equipped the Argus Engine with a number of cutting-edge technologies in the area of AI, including machine learning and deep learning, which enable a more effective screening of fraudulent application and a more precise profile buildup. For example, integrated with visual risk technology under deep learning, our Argus Engine is able to verify the identity of a prospective borrower, denying those applications completed with what it believes to be a false identify, allowing for another layer of effective protection from frauds. For another instance, we have programed large-scale social network (knowledge graph) into our Argus Engine for fraud detection, which empowers us to comprehensively map and reason about connections between our users, and therefore more effectively identify organizational fraudulent behaviors. Leveraging its three core functions of anti-fraud, credit assessment and risk alert, Argus Engine helps us effectively build user profile, conduct overall credit assessment for each prospective borrower and detect frauds, thereby lowering the possibility of loan delinquency.

Behavior analysis and fraud detection

The Argus Engine is deployed to conduct fraud detection and initial credit screening of a prospective borrower, generating an F-Score which is a proprietary metric quantifying potential fraud risks of the borrower. Through our Argus Engine, we seamlessly combine data aggregation with fraud detection capabilities as follows.

- *Identity authentication.* We use facial recognition technology and other tools and processes to verify the identity of a prospective borrower, denying those applications with what we believe to be false identities.

- *Blacklist filtering.* We maintain a real-time list of suspicious devices and accounts referred to as a blacklist and to which we have automated access. We refer to the blacklist as well as fraud records provided by third-party institutions to filter prospective borrowers with high fraud risks.

- *Telecommunication fraud prevention.* Our anti-telecommunication fraud system integrates black or gray list, AI powered source tracking technologies, as well as real time transaction and risk monitoring models. This system enables fraud prevention across the entire lending process, from pre-facilitation borrower acquisition to post-facilitation services. Its telecommunication fraud prevention mechanism features fraud risk alert, fraud interception and post-fraud feedback.

- *Anti-fraud algorithms.* We filter prospective borrowers through the use of anti-fraud algorithms based on machine learning:

  - we utilize supervised machine learning processes to learn from known fraud behavior patterns, training our algorithms to develop rules to identify similar patterns and deny suspicious applications;

  - we utilize unsupervised machine learning to run anomaly detection to detect individual and aggregated abnormal patterns for the purpose of identifying unknown fraud behaviors; and

  - we conduct a social network analysis, connecting seemingly unrelated factors to often detected fraud schemes. For example, when a new user uses the same mobile device as that of users A and B to access our services, our social network analysis algorithm is able to automatically catch the high correlations that may exist between the new user and the existing users A and B. If users A and B have been flagged by our system due to previous collaborative fraudulent loan applications, and the same mobile device has been identified as owned by the leader of this fraudulent organization, the social network analysis algorithm is able to conclude that the new user is likely to be a member of the fraudulent organization and subsequently direct the new user for manual verification.

Proprietary credit scoring and risk models

When a credit application is deemed to not represent a fraud risk, it is then subjected to the credit assessment module of our Argus Engine. This module will select and analyze variables associated with a given credit application. The variables that the Argus Engine analyzes are selected based on the perceived risk profiles of the applicants. The Argus Engine ultimately generates an A-Score to quantify an applicant's credit profile. Prospective borrowers with higher A-Scores typically receive recommendation for higher credit limits. The A-Score is then directed to the Cosmic Cube Pricing Model for pricing.

We conduct credit assessment each time a new borrower requests a drawdown. A-Score is the result of the initial credit assessment performed on an applicant based on his/her credit profile, considering various factors such as financial condition, education, past credit history and social behaviors. Different from A-Score, B-Score is applied to existing borrowers on our platform with more than three months of borrowing history, by monitoring borrower behaviors, such as account, drawdown, repayment, among others. The B-Score replaces the A-Score for the purpose of future credit assessment and re-evaluation. The B-Score is reevaluated each time the borrower applies for a drawdown and at the end of each month. Given that we have high repeat borrower contribution, B-Score, reflecting the latest borrower behavior, plays a relatively more prominent role in our overall credit assessment process.

Based on the B-Score assigned to borrowers, the system adjusts recommendation of their credit line both proactively and in response to the requests made by them. For a given borrower, the request for credit line adjustment can be done no more than once every three months. A typical 15% to 25% increase will be given to the credit line of the borrower if the underlying adjustment is approved.

Each prospective borrower applying for loan products facilitated by us will be assigned into one of the 4 credit score categories based on credit score derived from our credit assessment results. Out of the 4 credit score categories, Level 1 represents the lowest risk and Level 4 represents the highest risk. For ICE and Risk management SaaS services, we do not generate a credit score for the prospective borrowers.

The following table presents loan facilitation volume breakdown by credit score category for the periods indicated for loan products facilitated by us. Against the backdrop of COVID-19 and its impact on the macroeconomic environment and borrowers' ability to repay the loans, we implemented adjustments in our operations, such as optimizing our user base by focusing on higher quality users. As a result, the loan facilitation volume for loan products offered to borrowers in Level 4 decreased from 2019 to 2021, and the loan facilitation volume for loan products offered to borrowers in Level 1 and Level 2 increased from 2019 to 2021.

Credit Score	**For the Year Ended December 31,**			**For the Six Months Ended June 30,**
	2019	**2020**	**2021**	**2022**
	(RMB in millions)			
Level 1	24,824	45,813	79,808	51,209
Level 2	33,771	53,718	88,440	45,749
Level 3	42,028	63,445	95,529	37,958
Level 4	97,223	78,433	76,928	14,012
Null(1)	1,226	5,348	16,397	48,186
Total	**199,071**	**246,758**	**357,103**	**197,114**

Note:

(1) Null primarily includes loans facilitated under ICE and risk management SaaS services. In addition, we do not generate a credit score for a few borrowers under limited cases, and the corresponding loan facilitation volume accounted for less than 0.5% of total facilitation volume during the Track Record Period.

The following table presents average loan tenor (in months) by credit score category for the periods indicated.

Credit Score	For the Year Ended December 31, 2019	2020	2021	For the Six Months Ended June 30, 2022
Level 1	7.3	8.9	9.6	10.7
Level 2	7.7	9.5	10.5	12.0
Level 3	7.8	9.8	10.9	11.9
Level 4	8.2	10.0	11.3	11.8
Null(1)	8.8	13.1	8.9	11.3

Note:

(1) Null primarily includes loans facilitated under ICE and risk management SaaS services. In addition, we do not generate a credit score for a few borrowers under limited cases, and the corresponding loan facilitation volume accounted for less than 0.5% of total facilitation volume during the Track Record Period.

The following table presents effective APR by credit score category for the periods indicated for loan products facilitated by us.

	Effective APR(1)			
Credit Score	For the Year Ended December 31, 2019	2020	2021	For the Six Months Ended June 30, 2022
Level 1	27.9%	26.2%	24.7%	22.1%
Level 2	29.1%	26.9%	25.4%	22.8%
Level 3	28.7%	27.4%	26.0%	23.4%
Level 4	28.9%	27.9%	26.7%	24.4%
Null(2)	30.1%	23.8%	23.6%	23.1%

Notes:

(1) Effective APR data for 2021 and 2022 are calculated through IRR methodology, while 2019 and 2020 are not. The PBOC only disclosed the official IRR calculation methodology in March 2021 and we are not able to trace the IRR metric in 2019 and 2020. The effective APR for 2021 and 2022 is the annualized internal rate of return, or IRR, at which the net present value of all ordinary cash outflows (e.g., the principal of loans) and ordinary cash inflows (e.g., the principal repayment, the interest income, the loan facilitation service fees, and other income) from a loan or a group of loans equals zero, assuming all the cash inflows other than interest income are received at the beginning of the period. The effective APR for 2019 and 2020 is calculated as nominal APR divided by the loan duration and multiplied by the loan tenor. The effective APR data excludes loans facilitated under risk management SaaS and ICE.

(2) Null primarily includes loans facilitated under ICE and risk management SaaS services. In addition, we do not generate a credit score for a few borrowers under limited cases, and the corresponding loan facilitation volume accounted for less than 0.5% of total facilitation volume during the Track Record Period.

Real-time risk events monitoring

Leveraging the expansive and complicated relational network of a borrower's financial connections, Argus Engine can extract the most important information from the massive dataset and determine the borrower's credit profile. When a borrower makes an online credit drawdown or application, we need to conduct real-time credit assessment, which necessitates the support of a powerful credit profiling engine. As of June 30, 2022, the real-time graph engine was in the fourth generation with more than 2 billion nodes and 58 billion edges. It provides more than 120 million times online calculations daily, mapping first-degree connections in an average of 10 milliseconds, and second-degree connections in an average of 500 milliseconds. Backed by powerful computation, our real-time screening net can accurately identify risks from group fraud, multiple platform borrowing and default, among others.

Collection

We believe we optimize the collection process for delinquent loans based on the use of a C-Score we assign to each borrower in default using the Argus Engine. The C-Score processes data from historical collection efforts to automatically identify the most efficient channel for collection, including text messages, mobile app push notices, AI-initiated collection calls, human collection calls, emails or legal letters. We initiate the automated collection process typically between 1 and 4 days after the loan repayment is due. In-house human collection calls are typically made between 5 and 60 days of loan delinquency, along with other automated collection techniques, subject to adjustments. We also outsource our collection to third-party collection service providers, particularly after 60 days of delinquency. To fulfill the compliance requirements, we have adopted and enforced comprehensive collection policies and procedures, including close monitoring of our third-party service providers, to ensure that all our collection practices, including in-house and third-party practices, are in compliance with current laws and regulations. First of all, all collection operations, either conducted by our in-house collection team or through third-party agencies, must be processed on our proprietarily developed online operation platform and call-out platform so that we are able to track and perform full-angle inspection on the collection practices. Secondly, all borrower data are subject to a desensitization procedure before they are used for collection. Our system enables a close-loop monitoring over the process of the collection exercise, from case categorization and the desensitization of delinquent borrowers' information to the dispatch of delinquency information to the collection team or third-party collection agencies, as the case may be, and the collection call initiation. It ensures that only the necessary and minimum amount of desensitized data are being used for collection and that no data are able to be saved locally. Thirdly, all manual collection calls, either initiated by our in-house collection team or by third-party agents, are recorded and transmitted to our inspection system for an "AI + manual" dual inspection procedure, where our AI models will perform automatic, preliminary analysis on the content of the collection conversation against the rules that we set, identifying the expressions that are suspected to be deviating from our rules, and our inspection team will then further investigate the cases and provide improvement advice. Fourthly, we maintain real-time inspection on all collection operations. Our system constantly analyzes the real-time recording of the collection calls for potential defects or violations. Once a defect or violation is identified, a notice will be promptly sent to the relevant on-site collection supervisor for intervention, so that we are able to proactively de-escalate the situation, prevent violative collections and deliver better user experience. Last but not least, we stipulate into each service agreements with our third-party agencies obligations of such agencies to abide by our policies, comply with laws and regulations, preserve confidentiality, refrain from using excessive or otherwise inappropriate measures. From the beginning of the Track Record Period to the Latest Practicable Date, we have terminated business relationship with certain third-party collection service providers, primarily due to performance reasons, such as relatively low collection rate and cost efficiency in collection, and changes in personnel. According to our third-party collaboration mechanism, we have rights to terminate business relationships with third-party service providers that meet the exit criterion provided therein. In particular, the number of the third-party collection service providers that we terminated business relationship with amounted to 3, 2, 11, 14 in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. The increasing trend in the number of the third-party collection service providers with which we terminated business relationship from 2020 to the six months ended June 30, 2022 was primarily because we expanded the network of third-party collection service providers in 2020 to mitigate the impact of COVID-19 outbreak, and as we adjusted our collection operations against the backdrop of COVID-19 in 2021 and 2022, we gradually terminated the business relationship with the extra third-party collection service providers that did not meet our performance expectations. We do not have any disputes with any of these terminated third-party collection service providers. The terminations did not have any material adverse effect on our business operations.

We have built an AI-powered collection and borrower service system based on automatic speech recognition, text-to-speech and natural language processing technologies. In 2021 and the six months ended June 30, 2022, the application of our AI-powered collection had handled 75% and 65% of our total collection volume, respectively. Our collection system can conduct automatic outbound calls in batches and interact with borrowers. We assess the appropriateness of AI-driven communication, and will adjust the approach and tone of the system, based on the risk level and the type of collection. This assessment is conducted automatically and we leverage the capability for all early-stage notification, contact confirmation and basic collection negotiations, while focusing our collection team on complicated collection cases, or other challenging interactions as identified by our system, to increase our operational efficiency and reduce our collection costs. For the six months ended June 30, 2022, we have maintained a 30 day collection rate of approximately 86%.

Our Credit Performance

We monitor the credit performance of loans facilitated under both credit-driven services and platform services to evaluate and improve our technology services offered to financial institution partners in preliminary credit assessment. We use 30 day+ and 90 day+ delinquency rates as key metrics to evaluate the credit performance of loans. They reflect the loans that are past due between 31 and 180 days and between 91 and 180 days, respectively, as of a specified date. With our strong credit assessment capabilities, we have been able to effectively manage the asset quality of loan portfolios and consistently achieved a relatively low delinquency rate.

In addition, we view write-off ratio as a supplement to delinquency rates to evaluate the overall credit performance of the loan portfolios as it reflects the net write-off of loans that are past due over 180 days during a given period. We have been able to maintain a relatively low write-off ratio during the Track Record Period. Loans that are written-off and loans under Intelligent Credit Engine and other technology solutions are not included in the delinquency rate calculation. Hence, the delinquency rates and the write-off ratio should be read together to assess our credit performance. For all the loans facilitated for which we provide guarantee services and that are written off due to delinquency for over 180 days, we have made the required guarantee repayments to our financial institutions partners pursuant to the guarantee service agreements and there is no further guarantee obligation for such loans.

The table below summarizes the 30 day+ delinquency rate and 90 day+ delinquency rate for all loans facilitated through our platform, including those under credit-driven services and platform services as of the dates indicated, as well as our write-off ratios for the periods indicated.

	For the year ended/As of December 31,			For the six months ended/ As of June 30,
	2019	2020	2021	2022
30 day+ delinquency rate(1)	2.8%	2.5%	3.1%	4.4%
90 day+ delinquency rate(2)	1.3%	1.5%	1.5%	2.6%
Write-off ratio(3)	3.7%	5.3%	4.8%	6.5%(4)

Notes:

(1) 30 day+ delinquency rate is a percentage, which is equal to (i) the outstanding loan balance of on- and off-balance sheet loans facilitated by our Group that are 31 to 180 calendar days past due, divided by (ii) the total outstanding loan balance of on- and off-balance sheet loans facilitated by our Group across our platform as of a specific date; loans that are charged-off and loans under Intelligent Credit Engine and other technology solutions are not included in the delinquency rate calculation.

(2) 90 day+ delinquency rate is a percentage, which is equal to (i) the outstanding loan balance of on- and off-balance sheet loans facilitated by our Group that are 91 to 180 calendar days past due, divided by (ii) the total outstanding loan balance of on- and off-balance sheet loans facilitated by our Group across our platform as of a specific date; loans that are charged-off and loans under Intelligent Credit Engine and other technology solutions are not included in the delinquency rate calculation.

(3) Write-off ratio is calculated by dividing (i) net write-off in a given period, which is the total write-off amount less recovered amount, by (ii) the average of beginning and ending balance of gross loans of such period.

(4) Annualized data for the write-off ratio for the six months ended June 30, 2022.

The following table presents 30 day+ delinquency rates and 90 day+ delinquency rate by credit score category for the periods indicated for loan products facilitated by us. The extent of risk exposure under different credit score categories is different as shown in the table below. The risk exposure under Level 4 is the highest overall among all credit score categories.

	As of June 30, 2022	
Credit Score	**30 day+ delinquency rate**	**90 day+ delinquency rate**
Level 1	0.52%	0.25%
Level 2	0.79%	0.42%
Level 3	1.76%	1.01%
Level 4	20.94%	12.78%
Null(1)	1.20%	0.77%

Note:

(1) Null primarily includes loans facilitated under ICE and risk management SaaS services. In addition, we do not generate a credit score for a few borrowers under limited cases, and the corresponding loan facilitation volume accounted for less than 0.5% of total facilitation volume during the Track Record Period.

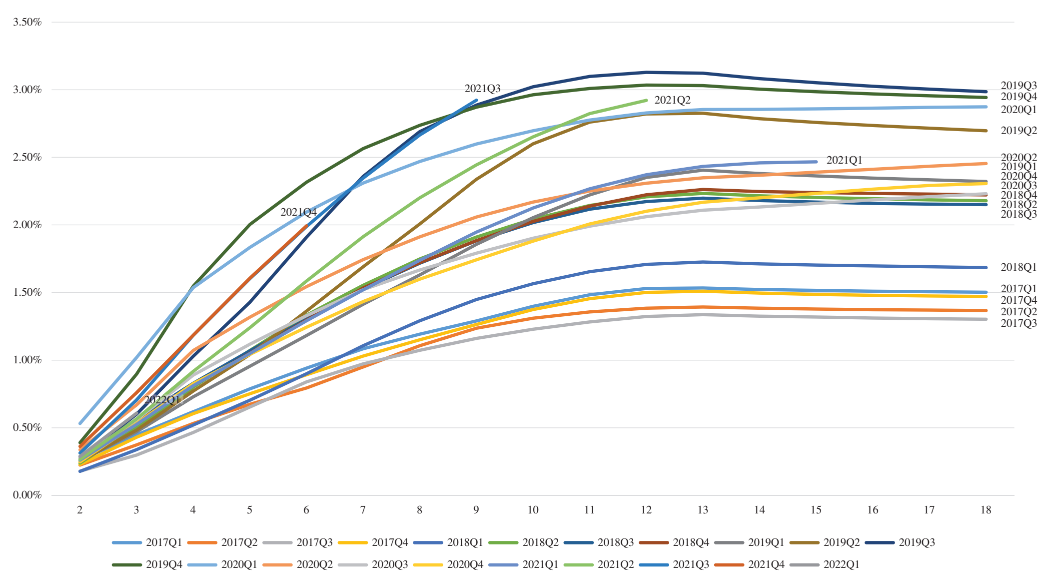
The overall 30 day+ delinquency rate decreased from 2.8% as of December 31, 2019 to 2.5% as of December 31, 2020, primarily due to the improvement in asset quality of the loan portfolios in fiscal year 2020. The overall 30 day+ delinquency rate increased from 2.5% as of December 31, 2020 to 3.1% as of December 31, 2021, primarily due to the challenging macroeconomic environment, which negatively impacted the loan repayment. The overall 30 day+ delinquency rate increased from 3.1% as of December 31, 2021 to 4.4% as of June 30, 2022, primarily due to the resurgence of COVID-19 pandemic in certain cities of China which resulted in a challenging macroeconomic environment that negatively impacted borrowers' ability to repay on time.

The overall 90 day+ delinquency rate increased from 1.3% as of December 31, 2019 to 1.5% as of December 31, 2020, primarily due to the significant impact of COVID-19 on the asset quality of the loan portfolios in early 2020, despite noticeable improvement in asset quality of the loan portfolios in fiscal year 2020. The overall 90 day+ delinquency rate remained stable at 1.5% as of December 31, 2020 and 2021. The overall 90 day+ delinquency rate increased from 1.5% as of December 31, 2021 to 2.6% as of June 30, 2022, primarily due to the resurgence of COVID-19 pandemic in certain cities of China which resulted in a challenging macroeconomic environment that negatively impacted borrowers' ability to repay on time.

Our write-off ratio increased from 3.7% in 2019 to 5.3% in 2020 primarily due to the impact of COVID-19 on the asset quality of the loan portfolios, especially in the first half of 2020 amidst the height of COVID-19 outbreak, and our write-off ratio decreased from 5.3% in 2020 to 4.8% in 2021 primarily because we have resumed normal operations and managed to deliver solid performance in asset quality of the loan portfolios. The annualized write-off ratio for the six months ended June 30, 2022 was 6.5%, compared to 4.8% in 2021, was mainly attributable to the prolonged impact of COVID-19 on the macroeconomic environment, when negatively affected borrowers' ability to repay the overdue loan.

Meanwhile, we also evaluate the healthiness of loans facilitated by us in each fiscal quarter through vintage delinquency rates. The following charts display the historical cumulative 30 day+ vintage delinquency rates and 180 day+ vintage delinquency rates for all loans facilitated by our Group through our platform. Loans under ICE and other technology solutions are not included in the calculation of vintage delinquency rates.

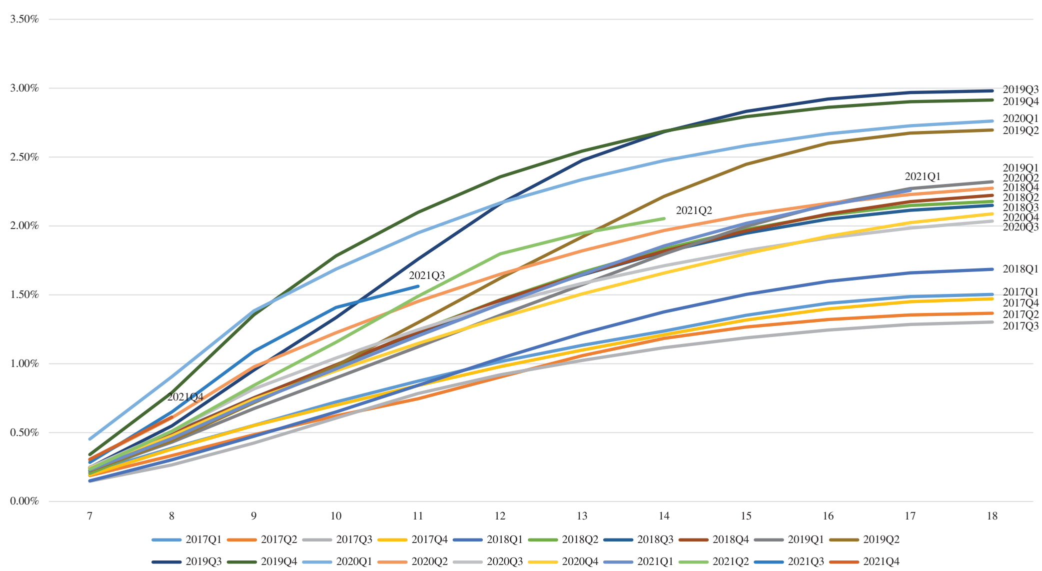
30 Day+ Delinquency Rates by Vintage



Note:

(1) 30 day+ vintage delinquency rate is a percentage, which is equal to (i) the total amount of principal for all loans facilitated by our Group in a fiscal quarter that become delinquent for more than 30 days, less the total amount of recovered past due principal for all loans facilitated by our Group that were delinquent for more than 30 days in the same fiscal quarter, divided by (ii) the total initial principal amount of loans facilitated by our Group in such fiscal quarter; loans under Intelligent Credit Engine and other technology solutions are not included in the delinquency rate calculation.

180 Day+ Delinquency Rates by Vintage



Note:

(1) 180 day+ delinquency rate is a percentage, which is equal to (i) the total amount of principal for all loans facilitated by our Group in a fiscal quarter that become delinquent for more than 180 days, less the total amount of recovered past due principal for all loans facilitated by our Group that were delinquent for more than 180 days in the same fiscal quarter, divided by (ii) the total initial principal amount of loans facilitated by our Group in such fiscal quarter; loans under Intelligent Credit Engine and other technology solutions are not included in the delinquency rate calculation.

The 30 day+ and 180 day+ vintage delinquency rates for loans that were facilitated in the third and fourth quarters of 2019 were higher than those in the remaining quarters of the Track Record Period, primarily because the lifecycle of loans facilitated during those periods typically covers the entire first half of 2020 amidst the height of the COVID-19 outbreak. As a result, the ability to repay for borrowers that made drawdowns during such periods was adversely affected, leading to an increase in the vintage delinquency rates for loans that were facilitated in the third and fourth quarters of 2019. To mitigate the impact of COVID-19 outbreak, we had implemented various adjustments, such as optimizing our user base by focusing on higher quality users. As a result, the 30 day+ and 180 day+ vintage delinquency rates for loans facilitated in the first quarter of 2020 improved slightly, and the 180 day+ vintage delinquency rates were generally lower for loans facilitated since the second quarter of 2020, compared with those for loans facilitated in the third and fourth quarters of 2019. The 30 day+ vintage delinquency rates were relatively higher in the four quarters of 2021, compared with those in last three quarters of 2020, primarily due to the prolonged impact of COVID-19 on the macroeconomic environment, which negatively impacted borrowers' ability to repay the overdue loans.

We estimate the default rate of loans on a pool basis by taking into consideration various factors including the historical delinquency rate by vintage. The related provisions and allowances are recorded at loan inception based on the estimated default rate over the entire loan tenure and adjusted in each subsequent reporting period based on update of relevant information including actual credit performance. Therefore, the increase in actual delinquency rate as of June 30, 2022 has been reflected in our current estimate of default rate to arrive at guarantee liabilities – contingent, allowance for loans receivable and related provisions in the consolidated financial statements. If future change in various factors constituting the estimate of default rate result in 0.5 percentage point increase/decrease in the overall estimate default rate for each pool of loans already facilitated as of June 30, 2022, it would result in an increase/decrease of RMB156 million for allowance for loans receivable and provision for loans receivable, RMB613 million for guarantee liabilities – contingent and provision for contingent liabilities. If the estimate of default rate changes further, the amount would change proportionately. Assuming other accounts and balances stay as unaffected, the impact on the net income over the revaluation of provisions for such existing loans would be a decrease/increase of approximately RMB587 million based on an assumed effective tax rate of 15%. In real business world, however, if we notice factors that would increase the overall default rate by such magnitude, we will surely take counter risk measures and accordingly the actual adverse impact on net income is expected to be even less.

PROVISIONS FOR LOANS

We determine provisions for loans based on a number of factors as follows. For on-balance-sheet loans, a valuation allowance is set up based on estimated default rate of loans to reduce the carrying amount of loans receivable. For off-balance-sheet loans where we provide guarantee services, we record guarantee liabilities – contingent to represent our expected net payout when the underlying loans become default. In either cases, the allowance/contingent guarantee liabilities are determined based on the estimated default of underlying loans. See "Financial information – On-and Off-balance Sheet Treatment of Loans" for details of the difference between on-and off-balance sheet loans. We estimate the default rate of loans on a pool basis by taking into consideration the historical delinquency rate by vintage, adjusted by specific risks for loans within each vintage, correlated industrial and macro-economic factors, and other pertinent information such as CPI and delinquent loan collection rate in assessing future performance of the loan portfolio. The historical delinquency rate captures the historical data on the delinquent status of borrowers and time of delinquency. Further, we provide allowance and contingent liabilities based on the estimated collectability over the entire loan tenure at inception of each loan portfolio and adjust in each subsequent reporting period based on update of relevant information. Thus, we do not have separate provision policies for delinquent loans and we charge off loans receivable as a reduction to the allowance for loans receivable when the loan principal and interest are deemed to be uncollectible. The contingent guarantee is reduced by the payouts made by our Group to compensate the investors upon borrowers' default and revalued at each period end to reflect updated estimation for future net payout.

DATA AND PRIVACY PROTECTION

We are dedicated to protecting users' privacy, and we have implemented a data privacy and security system to ensure the security, confidentiality and integrity of data. We adopt policies to make sure we obtain users' consent in collecting and using their data. We have promulgated a user privacy policy on our platform, setting forth our data use practices and privacy protection protocols. When a user registers an account via our app, he or she must read through and agree to the privacy agreement before the registration can be completed. Besides, in certain phases of the loan application process that involve data collection or usage, such as activating facial recognition function to facilitate credit assessment and transaction security, our users will be prompted again to read through and agree to separate authorization agreements on our data collection and use practices before they can proceed. We only use the data for the stated purpose as authorized by the user of our app in connection with credit assessment and as otherwise required by applicable laws and regulations. All of our data which we collected and generated from our operations in the PRC are stored in the PRC territory and the data which we recognize as sensitive data are encrypted with the double encryption approach of data encryption and database encryption. We store user data in accordance with applicable laws and regulations, and we have adopted and implemented internal controls system and protocols focused on data security and personal information protection. Our core systems have all passed and been certified as the Level III Protection of the National Information System. We require all of our employees to comply with the protocols, respect the privacy of users, and protect their information. In addition, we limit our employees' access to de-identified information and the output of such credit analysis only (except for key data security personnel whose access is subject to stringent internal approval) for purposes of mitigating the possibility of data leakage and avoiding unnecessary privacy invasion as much as possible.

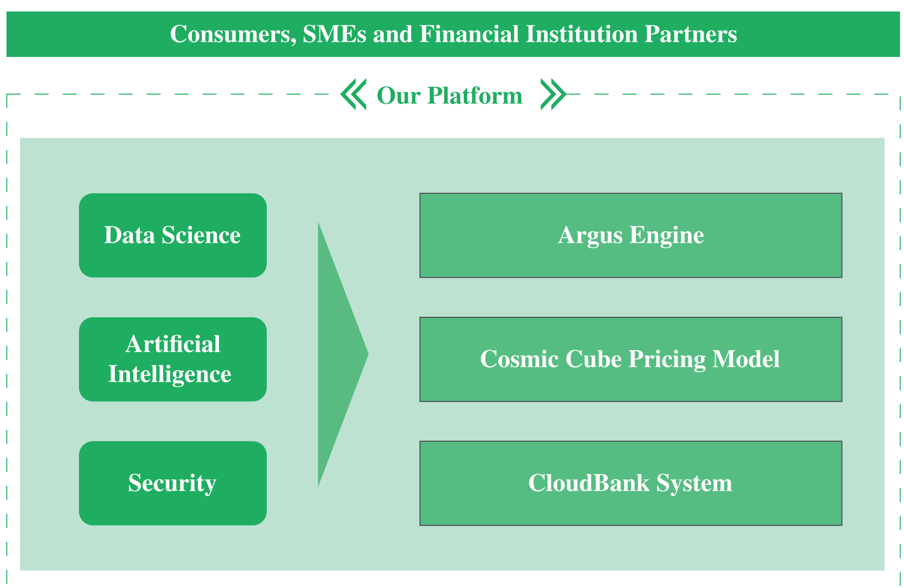
With rigorous data privacy and security system, in June 2020, our fintech service application, 360 Jietiao, received both the app security certification and the app information security certification from the National Computer Virus Emergency Response Center, or the NCVERC, which is the official agency for anti-virus internet security and designated testing body for the "Special Crackdown on the Illegal Collection and Misuse of Personal Information by Apps" (《關於開展App違法違規收集使用個人信息專項治理的公告》) initiative by the MPS. In particular, 360 Jietiao received a level 3 rating for both app privacy and data security, the highest level granted by the NCVERC. Given the ongoing regulatory environment, the certifications granted to us recognize our core competency in privacy protection and security technology and further solidify our competitive advantage in terms of regulatory compliance.

Our commitment to protecting users' privacy also shapes the way we collaborate with others on data insight enhancement for the purpose of credit assessment. For example, we obtain consent from users to use their data insights obtained from third-party sources for credit assessment purposes at the registration stage.

In the view of our PRC Legal Adviser, our Significant Subsidiaries are in compliance with the requirements of data security and personal information protection provided in the applicable existing effective PRC laws and regulations in material aspects as of the Latest Practicable Date, including the requirements of the Personal Information Protection Law (《個人信息保護法》), Administrative Provisions on Internet Information Service Algorithm-Based Recommendation (《互聯網信息服務算法推薦管理規定》) and the Guidelines on Strengthening the Comprehensive Regulations of Algorithms for Internet Information Services (《關於加強互聯網信息服務算法綜合治理的指導意見》).

TECHNOLOGY & SECURITY

We are a technology-driven company. The success of our business is dependent upon our technological capabilities, which deliver a superior user experience, protect information on our platform, increase operational efficiency and facilitate continued innovation. Our innovation efforts are driven by strong research and development and risk management teams, which accounted for 43.7% of our total employees, as of June 30, 2022.



Principal components of our technology infrastructure include:

- *Data science.* Data science contributes to many elements of our business and operations, extending across an entire loan lifecycle. Our Argus Engine allows us to aggregate and assess thousands of data points to build a comprehensive profile for each user which guides fraud detection, credit assessment and general borrower behavior, useful in anticipating borrowers' needs. Our Cosmic Cube Pricing Model then applies similar data science strategies in establishing pricing. Our workflow system CloudBank is capable of processing millions of transactions every day and integrates with our financial institution partners' systems in loan disbursements, credit decisions, and payment clearances. We have also developed our network relationship database with tens of billions of connecting points for fraud detection purpose. The algorithms powering the majority of our decision systems iterate in real-time through machine learning, allowing us to promptly identify and correct operational issues.

- *Artificial intelligence.* We have identified specific applications for AI across our platform, notably around precision marketing, rapid underwriting and post-facilitation services. We consistently upgrade our capabilities through machine learning. For instance, our fraud detection and credit assessment capabilities are based on the self-learning of the Argus Engine, which consistently re-evaluates statistically significant variables and re-develops policies around borrower credit assessment. A key benefit of AI is the automation of many of our processes. We can generally process a credit application from submission through drawdown approval without material human intervention, and our internal preliminary credit assessment mostly only takes less than a minute in accordance with recent IT records, achieving massive operational efficiency. For instance, our AI-powered voice system, which we apply to the collection of delinquent loans, has reduced our collections staff significantly and empowered the remaining staff to be more efficient and effective. Lastly, we are in the process of evaluating applications of blockchain across our business model.

- *Security.* We are committed to maintaining a secure online platform. Our platform benefits from 360 Group's expertise in the area of internet security. Our focus on security provides operational benefits because we believe borrowers are more willing to share sensitive information with us due to our security reputation. Key features of our security system are as follows:

    - Our firewall monitors and controls incoming and outgoing traffic 24 hours per day, and the firewall is updated and trained periodically with mimic attacks from hackers to spot potential loopholes and protect our platform from malware, computer virus and hackings;

    - Our servers are managed by 360 Group's private cloud service and as such are both physically and virtually isolated with intensive security protocols; and

    - All transmission of borrower information is encrypted.

We have also adopted a series of policies on internal controls over information systems and network access management. We maintain redundancy through a real-time multi-layer data backup system to prevent loss of data resulting from unforeseen circumstances. We conduct periodic reviews of our technology platform, identifying and correcting problems that may undermine our system security.

- *Stability.* We operate on 360 Group's private cloud. Our system infrastructure is hosted in data centers at three separate locations in Beijing and Shanghai. We maintain redundancy through a real-time multi-layer data backup system to ensure the reliability of our network. Our platform adopts a modular architecture that consists of multiple connected components, each of which can be separately upgraded and replaced without compromising the functioning of other components. This makes our platform both highly reliable and scalable.

- *Scalability.* With a modular architecture, our platform can be easily expanded as data storage requirements and user visits increase. In addition, load balancing technology helps us improve the distribution of workloads across multiple computing components, optimizing resource utilization and minimizing response time. Meanwhile, we have built our system in a partner-friendly approach as we provide flexible options to our partners regarding the scope of the data to be provided as well as how the data is provided. With such flexibility, we can cut a considerable amount of time and monetary cost in synchronizing the systems of ours and our partners'. For instance, it typically takes one to two weeks for us to develop our system access to a new partner's system, which is a key selling point when prospective financial institution partners evaluate joining our platform.

MARKETING AND BRAND AWARENESS

We primarily employ and implement variable online sales and marketing methods, supplemented with traditional promotional activities and general brand and awareness building. We focus on building brand awareness through online marketing campaigns, including cooperating with leading online platforms for directing user traffic to our business and boosting public relations as well as other offline advertising. We invest in a series of marketing activities to further solidify our brand image and continue to grow our user base, including collaborating with leading social media, video and live streaming platforms to extend our brand to a broader potential user group.

SEASONALITY

We experience seasonality in our business, mainly correlating to the seasonal fluctuations in internet usage and traditional personal consumption patterns in China. For example, individual borrowers generally reduce their borrowings during national holidays in China, particularly during the Chinese New Year holiday season in the first quarter of each year, due to a reduction of the overall volume of commercial transactions. Furthermore, when e-commerce platforms hold special promotional campaigns, for example, on November 11 and December 12 each year, we typically observe an increase in borrowing proceeds immediately following these campaigns. However, the seasonal trends that we have experienced in the past may not apply to, or be indicative of, our future operating results.

COMPETITION

We currently primarily targets the consumer Credit-Tech market, and compete for borrowers, funding sources and other third-party services with other Credit-Tech platforms with the similar market focus, which mainly include Credit-Tech platforms backed by large internet companies, and independent Credit-Tech platforms that operate standalone platforms without support from traditional financial institutions or large internet companies, according to iResearch. As the macro and regulatory environment evolve in recent years, we have observed dynamic changes in the market landscape. On the one hand, some Credit-Tech platforms backed by internet giants are scaling back their over-leveraged operations, which creates opportunities for other players to fulfill the "spillover" demand. On the other hand, as regulatory compliance becomes increasingly important, smaller and weaker Credit-Tech platforms that lack capabilities to achieve profitability while maintaining compliance are naturally withdrawing from the market, which in turn creates opportunities for us to further strengthen our market position.

In addition, many leading internet and technology companies that possess large user bases, substantial financial resources and high frequency consumption platform entered the consumer Credit-Tech market in the past few years. However, many of them have since scaled back their effort in developing Credit-Tech business by themselves to optimize their strategic priorities. Instead, some leading internet and technology companies choose to partner with leading Credit-Tech platforms like us to help them better monetize their user base with comprehensive financing solutions. Such partnerships are the basis for "embedded finance."

We believe that our deep understanding of users, robust credit assessment systems, effective user acquisition channels, user-friendly product designs, and broad and diversified funding sources form a substantial competitive advantage over many of our peers. Such competitive advantage, along with our consistent track record of solid execution, also in turn helps us gain trust from financial institutions and strengthen our relationship with business partners. See "Risk Factors – Risks Related to Our Business and Industry – We face increasing competition, and if we do not compete effectively, our operating results could be harmed" and "Industry Overview" for more information about the market where we operate and the competition we face.

INTELLECTUAL PROPERTIES

We regard our trademarks, domain names, software copyrights, know-how, proprietary technologies and similar intellectual property as critical to our success, and we rely on a combination of patent, copyright, trademark and trade secret laws in China, as well as licensing agreements and other contractual protections, to protect our proprietary technology.

As of June 30, 2022, we had 54 registered trademarks and 63 trademarks pending approval in China, 68 registered patents and 900 patents pending approval in China. As of June 30, 2022, we had 66 registered software copyrights and four copyrights of works in China. We are also the registered holder of 43 domain names in China.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology. Monitoring unauthorized use of our technology is difficult and costly, and we cannot be certain that the steps we have taken will prevent misappropriation of our technology. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources. In addition, third parties may initiate litigation against us alleging infringement of their proprietary rights or declaring their non-infringement of our intellectual property rights. In the event of a successful claim of infringement and our failure or inability to develop non-infringing technology or license the infringed or similar technology on a timely basis, our business could be harmed. Even if we are able to license the infringed or similar technology, license fees could be substantial and may adversely affect our results of operations. See "Risk Factors – Risks Related to Our Business and Industry – We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position" and "Risk Factors – Risks Related to Our Business and Industry – We may be subject to intellectual property infringement claims, which may be costly to defend and may disrupt our business and operations."

CUSTOMERS AND SUPPLIERS

Our customers

We endeavor to empower financial institutions across different stages of the loan lifecycle with our technology-driven services, whereby delivering to users more accessible credit lines. Our customers primarily consist of financial institutions. In the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022, (i) our top five customers accounted for 50.4%, 46.7%, 45.1% and 39.5% of our total revenue, respectively, and (ii) our largest customer, in each period during the Track Record Period, contributed 15.9%, 15.0%, 14.9% and 16.8% of our total revenue, respectively.

The following table sets forth the background information of our five largest customers for each year during the Track Record Period.

Year ended December 31, 2019

Customers	Customer business profiles
Customer A	a city commercial bank with registered office in Nanjing, China
Customer B	a city commercial bank with registered office in Xi'an, China
Customer C	a peer-to-peer lending platform with registered office in Beijing, China
Customer D	a city commercial bank with registered office in Tianjin, China
Customer E	a joint-stock commercial bank with registered office in Shenzhen, China

Year ended December 31, 2020

Customers	**Customer business profiles**
Customer B	a city commercial bank with registered office in Xi'an, China
Customer A	a city commercial bank with registered office in Nanjing, China
Customer F	an internet commercial bank with registered office in Beijing, China
Customer G	a trust company with registered office in Nanchang, China
Customer H	a city commercial bank with registered office in Xinjiang, China

Year ended December 31, 2021

Customers	**Customer business profiles**
Customer F	an internet commercial bank with registered office in Beijing, China
Kincheng Bank	a private commercial bank with registered office in Tianjin, China
Customer B	a city commercial bank with registered office in Xi'an, China
Customer A	a city commercial bank with registered office in Nanjing, China
Customer I	a trust company with registered office in Xining, China

Six months ended June 30, 2022

Customers	**Customer business profiles**
Customer F	an internet commercial bank with registered office in Beijing, China
Kincheng Bank	a private commercial bank with registered office in Tianjin, China
Customer B	a city commercial bank with registered office in Xi'an, China
Customer J	a rural commercial bank with registered office in Shanghai, China
Customer A	a city commercial bank with registered office in Nanjing, China

Save for Kincheng Bank and Customer C, in each case of which Mr. Zhou, the chairman of our Board, holds no more than 20% interest in the entity, none of our other Directors, their respective associates or any shareholder who, to the knowledge of such Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our top five customers during the Track Record Period. We chose to cooperate with Kincheng Bank considering that Kincheng Bank has stable funding resources and the funding cost it charged was at a reasonable level. For Customer C, similar to Kincheng Bank, it provided stable funding to us at reasonable costs. In addition, cooperation with Customer C is a historical legacy given that funding from other financial institutions in early years of our operating history were relatively limited. All transactions with Kincheng Bank and Customer C during the Track Record Period and up to the Latest Practicable Date were conducted on an arm's length basis comparable to similar transactions we conducted with other customers in which none of our Directors held interests.

Our suppliers

During the Track Record Period, our top suppliers primarily include (i) service vendors who charge us marketing and promotional service fee; (ii) service vendors who charge us bandwidth service fee and brand fees; (iii) payment processing services providers; primarily service vendors selected based on prevailing market terms.

In the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, (i) our top five suppliers accounted for 40.9%, 16.4%, 27.5% and 40.1% of our total purchases, respectively; and (ii) our largest supplier, in each period during the Track Record Period, contributed 24.4%, 5.4%, 9.1% and 13.1% of our total purchases, respectively.

The following table sets forth the background information of our five largest suppliers for each year during the Track Record Period.

Year ended December 31, 2019

Supplier	Supplier business profiles
Supplier A	an internet promotion company with registered office in Zhoushan, China
Supplier B	an internet promotion company with registered office in Shanghai, China
Supplier C	an internet promotion company with registered office in Tianjin, China
Supplier D	an internet promotion company with registered office in Beijing, China
Supplier E	an internet promotion company with registered office in Shanghai, China

Year ended December 31, 2020

Supplier	Supplier business profiles
Supplier F	an internet promotion company with registered office in Tianjin, China
Supplier G	an internet promotion company with registered office in Beijing, China
Supplier H	a leading digital payment platform with registered office in Shenzhen, China
Supplier I	a digital payment platform with registered office in Shenzhen, China
Supplier J	an internet promotion company with registered office in Beijing, China

Year ended December 31, 2021

Supplier	Supplier business profiles
Supplier K	an offline promotion company with registered office in Tianjin, China
Supplier L	an internet promotion company with registered office in Beijing, China
Supplier M	a digital payment platform with registered office in Shanghai, China
Supplier N	an internet promotion company with registered office in Beijing, China
Supplier O	an internet security provider with registered office in Beijing, China

Six months ended June 30, 2022

Suppliers	Supplier business profiles
Supplier K	an offline promotion company with registered office in Tianjin, China
Supplier L	an internet promotion company with registered office in Beijing, China
Supplier P	an internet promotion company with registered office in Shanghai, China
Supplier Q	an internet promotion company with registered office in Deyang, China
Supplier O	an internet security provider with registered office in Beijing, China

Save for Supplier K and Supplier O, in each case of which Mr. Zhou, the chairman of our Board, holds no more than 20% interest in the entity, none of our other Directors, their respective associates or any shareholder who, to the knowledge of such Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our top five suppliers during the Track Record Period. We chose services from Supplier K because Supplier K has an established team and network that can provide stable, quality offline promotion and marketing services at reasonable costs. Similarly, we chose Supplier O primarily because it provided us with cloud computing capacity and other technical services at reasonable costs. In addition, as we originally was a subsidiary of 360 Group until our spin-off in 2016, we had been using services from Supplier O, another subsidiary of 360 Group, during our early years. Given the quality of Supplier O's services was high, the price it charged was reasonable and the costs that we may need to incur to switch to another technical service provider, we continue to procure services from Supplier O. All transactions with Supplier K and Supplier O during the Track Record Period and up to the Latest Practicable Date were conducted on an arm's length basis comparable to similar transactions we conducted with other suppliers in which none of our Directors held interests.

We believe we have sufficient alternative suppliers for our business that can provide us with substitutes of comparable quality and prices. During the Track Record Period, we did not experience any disruption to our business as a result of any significant shortage or delay in supply.

EMPLOYEES

We had 1,891, 1,643, 2,129 and 2,232 employees as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. The following table sets forth the number of our employees categorized by function as of June 30, 2022:

	As of June 30, 2022
Function:	
General and Administrative	188
Operations	755
Products	169
Research and Development	814
Risk Management	161
Sales and Marketing	145
Total	**2,232**

As of June 30, 2022, we had 1,029 employees in Shanghai, 373 employees in Beijing, 266 employees in Shenzhen and the rest in other cities and special administrative region in China.

As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including housing funds, pension, medical insurance and unemployment insurance. We are required under Chinese 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 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 up to two years after the termination of his or her employment. In consideration of our employees' non-compete covenant, we pay compensation to our employees at a rate of not less than 30% of the average monthly compensation of the prior 12 months of their employment during the restriction period, provided that, to the extent our rate becomes lower than the minimum standard required by the local government, we will pay in accordance with such standard.

We believe that we maintain a good working relationship with our employees, and we have not experienced any labor disputes. None of our employees are represented by labor unions.

INSURANCE

We do not maintain business interruption insurance or general third-party liability insurance, nor do we maintain product liability insurance or key-man insurance. During the Track Record Period, we did not make any material insurance claims in relation to our business. We also provide social security insurance including pension insurance, medical insurance, unemployment insurance, maternity insurance, on-the-job injury insurance and housing funds through a PRC government-mandated defined contribution plan for our employees, as required by Chinese laws and regulations. We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by Chinese laws and regulation and in accordance with the commercial practices in our industry. However, our insurance policies may not be able to cover all of our losses and we cannot provide any assurance that we will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, our insurance policies. See "Risk Factors – Risks Related to Our Business and Industry – We may not have sufficient business insurance coverage."

PROPERTIES

Our corporate headquarters is located in Shanghai, where we lease office space with an area of 13,238 square meters as of June 30, 2022. We also lease an area of 2,172 square meters in Hefei, an area of 2,295 square meters in Fuzhou, an area of 1,500 square meters in Shenzhen, an area of 1,000 square meters in Xi'an, an area of 1,855 square meters in Chengdu, an area of 871 square meters in Haikou, an area of 119 square meters in Hong Kong and an area of 5,100 square meters in Beijing as of June 30, 2022. The lease term varies from one year to three years. Our servers are primarily hosted at internet data centers owned by 360 Group and located in Beijing and Shanghai. We believe that we expect to seek additional office space as needed to accommodate future growth.

In October 2020, we established 360 Changfeng, a joint venture company in Shanghai, China, through Shanghai Qiyu, together with Shanghai Changfeng Investment (Group) Co., Ltd., or Changfeng, an independent third party, and Shanghai Jiehu Internet Technology Co., Ltd., or Shanghai Jiehu, a 360 Group entity, to develop and build our 360 East-China regional headquarters and the affiliated industrial park for our future operations. Once completed, the regional headquarter and industrial park will enable us to host all our facilities and employees across departments that currently work on premises in Shanghai to join in the same office space, which we believe will help us further save administrative costs and improve operating efficiency. Changfeng, Shanghai Jiehu and we held 30%, 30% and 40% of the equity interests of the entity, respectively. In December 2021, we, through Shanghai Qiyu, entered into an equity transfer agreement with Shanghai Jiehu, pursuant to which Shanghai Qiyu acquired all the 30% equity interests owned by Shanghai Jiehu in 360 Changfeng. Following the transfer, we and Changfeng hold 70% and 30%, respectively, of the equity interests in 360 Changfeng. As of June 30, 2022, shareholders of 360 Changfeng have invested a total of RMB1.0 billion to acquire land use rights of the parcel of land on which our regional headquarters and affiliated industrial park stand and support the joint venture company's operations, of which RMB0.3 billion was funded by Changfeng.

RISK MANAGEMENT AND INTERNAL CONTROL

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, and we are dedicated to continuously improving these systems. We continually review the implementation of our risk management and internal control policies and procedures to enhance their effectiveness and sufficiency.

Financial reporting risk management

We have in place a set of accounting policies in connection with our financial reporting risk management. We have various procedures in place to implement accounting policies, such as financial reporting management policies and financial statements preparation policies. We have various procedures and IT systems in place to implement our accounting policies. Our financial department reviews our management accounts based on such procedures. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Internal control risk management

We have designed and adopted strict internal control procedures to ensure the compliance of our business operations with the relevant rules and regulations. In accordance with these procedures, our legal, finance and other departments work closely together to: (a) perform risk assessments and give advice on risk management strategies; (b) improve business process efficiency and monitor internal control effectiveness; and (c) promote risk awareness throughout our company.

In accordance with these procedures, our in-house legal department reviews and updates forms of contracts that we enter into, examines contract terms and reviews all relevant documents for our business operations, and is responsible for obtaining any requisite governmental pre-approvals or consents. We have strictly prohibited our employees from receiving kickbacks, bribing others, or secretly receiving commissions or any other personal benefits. We continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Data and technology system risk management

Sufficient maintenance, storage and protection of user data and other related information is critical to our business. We dedicate significant resources to developing and implementing programs designed to protect user privacy, promote a safe environment and ensure the security of user data. We use a variety of technologies to protect the security of the data that we collect and store in compliance with relevant government regulations. See "– Technology & Security."

In terms of data governance, we have formulated the Preliminary Policy on Personal Information Protection and Data Governance (《個人信息保護與數據治理基本政策》) that comprehensively stipulates the personal information protection and data governance of our Company and established a data security committee to be responsible for our personal information protection and data security management with a designated person in charge of data security to supervise data processing activities and the protection measures taken. In particular our data governance addresses the below five key areas:

- *Data protection.* We have formulated the 360 DigiTech Data Security Management System (《360數科數據安全管理制度》) to comprehensively regulate our data security protection issues, and further formulated the 360 DigiTech Customer Information Security Management Manual (《360數科客戶信息安全管理手冊》), 360 DigiTech Data Classification and Hierarchical Management System (《360數科數據分類分級管理制度》), 360 DigiTech Security Vulnerability Management Regulations (《360數科安全漏洞管理規定》), 360 DigiTech Security Emergency Response Management System (《360數科安全應急響應管理制度》), Personal Information Security Incident Management System (《個人信息安全事件管理制度》) and 360 DigiTech Data Security Training and Evaluation Provisions (《360數科數據安全培訓及考評規範》) for data security protection issues. The foregoing policies have set forth in detail our internal mechanisms for the protection of users' personal information, data classification and hierarchical management, detection and reparation of security vulnerabilities, proper handling of data security incidents and personal information security incidents in emergency situations, and employee trainings to promote knowledge and awareness on data security, to ensure that we maintain a high level of data protection;

- *Data collection.* The Preliminary Policy on Personal Information Protection and Data Governance, and the 360 DigiTech Customer Information Security Management Manual expressly state that all relevant laws and regulations should be observed in data collection; specifically, all data collection behaviors should comply with the provisions of laws and regulations, and personal information should be collected only when consent is obtained or when such personal information collection is in compliance with relevant laws;

- *Use of data.* The Preliminary Policy on Personal Information Protection and Data Governance stipulates that the use of data should conform to the principle of minimum necessity, and an assessment in accordance with the procedures prescribed in the 360 DigiTech Security Impact Assessment Provisions (《360 數科數據安全影響評估規範》) should be carried out before we use the data for data fusion, automated decision-making and artificial intelligence. The 360 DigiTech Security Impact Assessment Provisions also stipulates that regular technical audits of data processing should be conducted to check whether there is unauthorized access or misuse of data. We have also formulated the 360 DigiTech Data Security Employee Handbook (《360數科信息安全員工管理手冊》) and the Access Control Security Management Policy (《訪問控制安全管理策略》) to manage the rights of employees to access and operate data in order to avoid inappropriate use of data by employees. For the use of personal information for customization and personalization, we have specifically issued the Interpretation of Automated Decision Processing Regulations (《自動化決策處理規則說明》), through which users are informed of the purpose, scenario, basic principles, basic theories and rights of the use of automated decision-making;

- *Storage and retention of data.* The Preliminary Policy on Personal Information Protection and Data Governance stipulates that the data collected and generated in the course of operation in the PRC territory shall be stored in the PRC territory; the storage period of the data shall be determined in accordance with laws and regulations; the storage space shall be divided according to the classification and hierarchy of the data; the data that we recognize as sensitive data shall be encrypted and backed up. The Data Backup and Recovery Management Procedures (《數據備份和恢復管理程序》) further specifies the procedures and requirements involved in data backup and recovery conducted by us; and

- *Data transmission.* The 360 DigiTech Security Management System (《360數科數據安全管理制度》) stipulates specific requirements for data transmission. For example, servers storing and processing sensitive data should be isolated; data transmission between systems should be carried out through certified interfaces or centralized data transmission platforms; highly sensitive data transmitted through external networks or the internet should be encrypted and integrity protected; data leakage prevention control measures should be taken to prevent intentional or negligent leakage by employees; and if cross-border data transmission is involved, risk assessment should be conducted to ensure that the cross-border data transmission is in compliance with the requirements of relevant laws and regulations.

To ensure compliance with the relevant requirements of data security and personal information protection, we have also adopted policies that strictly regulate the access to our data by third parties who are in collaboration with us, which include but are not limited to third-party service providers and financial institutions, with the aim to prevent inappropriate use and disclosure of data. For instance, our Preliminary Policy on Personal Information

Protection and Data Governance provides that before a supplier is entrusted to process data or a business partner is entrusted to jointly process data with us, a background investigation should be conducted on such supplier or business partner, and an agreement with relevant compliance commitments must be entered into by such supplier or business partner. During the collaboration process, we may conduct security audits or require our business partners to provide credible security audit report from time to time. The suppliers or business partners are also required to conduct internal data security-related assessments or impact assessments in accordance with the relevant laws and regulations and retain data processing records pursuant to the collaboration agreements. Upon the termination of the collaboration agreements, the suppliers or business partners are required to delete or properly dispose of all data obtained from us, and provide us relevant supporting documents for our record. We retain compliance review records of such suppliers and business partners. Additionally, our 360 DigiTech Data Security Management System stipulates that if a business partner receives user information from us, it shall sign a confidentiality agreement. A security assessment is required before our system is connected with the systems of financial institution partners or third-party service providers (collectively, the "third-party systems") due to business development needs. We have further formulated the Regulations on Access Management of Third-party Systems, requiring third-party systems to comply with the following four requirements to ensure the security of network and data: (a) interface authentication, (b) user authority control, (c) parameter encryption and (d) network transmission encryption. The Regulations on Access Management of Third-party Systems also prescribe rules on the behavior of third-party personnel. Besides, we conduct regular security reviews and investigations on the data processing activities conducted by financial institution partners and third-party service providers to ensure that their data processing activities in collaboration with us are in compliance with the laws and regulations relating to privacy protection and data security.

Human resource risk management

We provide regular and specialized training tailored to the needs of our employees in different departments. Through these trainings, we ensure that our staff's skill sets remain up-to-date and enable them to discover and meet our users' needs. We have in place an employee handbook approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, work ethics, fraud prevention mechanism, negligence, and corruption. We provide employees with resources for explanation on guidelines contained in the employee handbook.

We also have in place a code of business conduct and ethics approved by our Board and an anti-bribery and corruption policy approved by our executive management team, providing to our employees the best commercial practice and work ethics as well as our anti-bribery guidance and measures. We make our internal reporting channel open and available to our staff for any wrongdoing or misconduct. Reported incidents and persons will be investigated and appropriate measures will be taken in response to the findings.

Audit committee experience and qualification and board oversight

We have established an audit committee to 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 Mr. Yongjin Fu, Mr. Gang Xiao and Mr. Andrew Y Yan. All three members are independent non-executive Directors. Mr. Yongjin Fu is the chairman of our audit committee. For the professional qualifications and experiences of the members of our audit committee, see "Directors and Senior Management."

We also maintain an internal audit department that is responsible for reviewing the effectiveness of internal controls 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 on a timely basis to ensure that any major issues identified thus are channeled to the committee. 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 monitors the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

ENVIRONMENTAL SUSTAINABILITY, SOCIAL RESPONSIBILITY, AND CORPORATE GOVERNANCE

We are committed to leveraging our technology and platform to create value for the society. With China's poverty alleviation and environmental protection campaigns and the unprecedented challenges faced by China and the globe in the COVID-19 pandemic, we endeavor to devote our efforts to take on social responsibility and contributing to the community. In addition, we strive to adhere to a high standard of corporate governance, implement ESG policies, and operate our business on an ethical and compliant basis. We will continue to promote a diverse and inclusive environment for our talents, pursue environmentally friendly operations and contribute to public welfare.

ESG Governance

Our Directors acknowledge the importance of corporate social responsibility to the long-term success of our Group. Pursuant to the Environmental, Social and Corporate Governance Reporting Policy of our Group, or the ESG Policy, our Board is responsible for setting up our Group's overall ESG governance management policies, strategies, priorities and targets, reviewing our ESG Policy on an annual basis to ensure its effectiveness, and fostering a culture of acting in accordance with the core ESG values.

Pursuant to the ESG Policy, we have established an ESG committee, which is responsible for overseeing and guiding the ESG initiatives of our Group. The ESG committee reports to our Board on ESG-related matters and comprises senior management and staff with a solid understanding of current and emerging ESG issues and our business. Set forth below are the key responsibilities of our ESG committee:

- abiding by the latest ESG-related laws and regulations, including the applicable sections of the Listing Rules, keeping the Board informed of any changes in such laws and regulations and updating our ESG Policy accordingly;

- assessing ESG-related risks on a regular basis according to applicable laws, regulations and policies to ensure our responsibilities with respect to ESG matters are met;

- monitoring local environmental, social and climate changes in regions where we operate and take timely measures to mitigate the risks associated with such volatile changes during our daily business operations;

- monitoring the implementation of our ESG Policy and engaging a third-party consultant to support us in fulfilling our ESG targets if the ESG committee considers it necessary;

- holding meetings on a regular basis to identify, assess and manage our progress in achieving our key ESG targets; and

- preparing annual ESG report, reporting to our Board on the ESG-related performance of our Group, the effectiveness of our ESG Policy and providing our Board recommendations relating to ESG matters.

Metrics and targets

We are committed to operating our business in a manner that protects the environment and improves environmental sustainability. We have established metrics and targets in the following areas to evaluate and guide our sustainable business operations.

- *Greenhouse gas emission.* We evaluate our greenhouse gas emission level using total greenhouse gas emission measured in tons. In 2021, our total greenhouse gas emission was 1,296.4 tons. We intend to keep the level of our total greenhouse gas emission between 80% and 120% of that in 2021 over the next three years.

- *Water usage.* We evaluate our water usage level using total water usage measured in tons. In 2021, our total water usage was 93,600.0 tons. We intend to keep the level of our water usage between 80% and 120% of that in 2021 over the next three years.

- *Energy consumption.* We evaluate our energy consumption level using total energy consumption measured in MWh. In 2021, our total energy consumption was 1,907.9 MWh. We intend to keep the level of our energy consumption between 80% and 120% of that in 2021 over the next three years.

Upon the [**REDACTED**], we will publish an ESG report annually to comprehensively analyze and disclose important ESG matters, including our ESG-related guidelines, strategies and targets, as well as their significance in relation to our Group's business. We intend to be public and transparent in terms of our ESG performance before our [**REDACTED**] and stakeholders. During the Track Record Period and up to the Latest Practicable Date, we complied with relevant environmental and occupational health and safety laws and regulations in all material aspects, and we did not encounter any environmental or occupational health related incidents or complaints that would have any material adverse impact on our business, financial condition or results of operation during the same period.

Our ESG strategies generally address three key areas: environmental sustainability, which broadly includes energy preservation and reduction of carbon emission, social responsibility, which entails disaster assistance and financial hardship assistance, and corporate governance, which targets the creation and maintenance of an equal and inclusive work environment.

Environmental Sustainability

We attach great importance to the impact on the environment during our daily operations, make reasonable use of clean energy, continue to advocate the concept of low-carbon office, and actively carry out environmental protection activities to reduce the impact of our operations on the environment.

Improve resource utilization. We have formulated a carbon neutralization plan within our Company, pursuant to which we have established an energy-saving responsibility system, strengthened energy-saving management in office areas, and improved employees' awareness of emission reduction, so as to reduce carbon footprint and resource waste. We implemented a series of energy-saving measures, aiming to further promote energy conservation and emission reduction efficiently on the basis of maintaining the previous energy consumption level. These measures include: setting the air conditioning temperature limit for power saving and lowering carbon emissions; providing recyclable straws in office, the production of which generally results in 14 gram carbon emission less than that resulting from the production of each plastic straw; setting automatic switches to power-saving modes on computers, printers and other equipment whenever they are not in use; advocating for power-off and network disconnection of electrical equipment after work; and reducing standby energy consumption by turning off the machines not actively in use.

Green building construction. In 2021, in adopting the environmental protection concept of “eco + 360,” we built a new headquarters building and refer it as a “green technology demonstration building,” showcasing our business values of “wisdom + characteristics” and manifesting our commitment to maintaining “two-way friendliness” between the environment and individuals. In addition, the building also applies the construction guideline which we refer to as “Sponge City.” Following the construction guideline, during intensive precipitations, the drainage capacity is strengthened of the drainage system to help alleviate the pipe network pressure of the plot; and the reuse of rainwater effectively increases the energy-saving rate of the building. The total annual runoff control rate of the building, representing the proportion of the total annual rainfall that is effectively controlled against infiltration throughout the year as a percentage of the total annual rainfall, can reach as high as 70%.

Green finance. Through artificial intelligence, data analytics and other technologies, we design and develop Credit-Tech products and features targeting industries that encourage energy saving. For example, we have developed and provide tailored products, and offer promotions and subsidies, such as interest-free periods for loans facilitated through our platform, to consumers and producers of new energy vehicles to incentivize green consumptions.

Social Responsibility

We believe that by integrating our competitive edges with social welfare, we are on the right path to promote efficient and sustainable community development. We actively encourage and support various social development initiatives by participating in various charitable activities and promoting the concept of corporate social responsibility throughout our company.

Provision of assistance during natural disaster. In July 2021, a heavy rainstorm hit Henan province. To provide relief to the region, we immediately established an emergency relief team and donated RMB20 million through the 360 Public Welfare Foundation to rescue local people who were in dire situations due to the extreme weather condition and purchase emergency relief materials. We also organized all local employees in Henan to participate in rescue operations provided that their personal safety was secured. As the situation exacerbated, we continued providing support in locally deployed rescue operations and donated an additional RMB1 million to the China Foundation for Poverty Alleviation through 360 Public Welfare Foundation for the post-disaster reconstruction in Xinxiang, Henan province.

Implementation of the Small and Micro Assistance program. Compared with established enterprises, sole proprietors and SMEs have a weaker ability to counter financial risks, and it is critical for them to be able to quickly obtain financing in small amounts over a short term whenever urgent financial needs arise. To address the special needs of this group of prospective borrowers, in 2021, we officially announced the launch of the “Small and Micro Assistance program.” All merchants of the Agricultural and Sideline Products Trading Center are provided with a maximum line of credit of RMB200,000 and a maximum interest-free period of 30 days for loans facilitated through our platform. Meanwhile, we provide flexible loan tenors to address possible difficulties faced by merchants in capital turnover.

Corporate Governance

We value our people and respect the dignity, character, privacy and personal interest of each of our employees. We place strong emphasis on well-being in the workplace. Activities are organized regularly to facilitate our employees to explore and pursue their hobbies and interests, and achieve a healthy work-life balance. We encourage everyone within our organization to pursue professional development opportunities. In furtherance of this goal, we have been offering trainings and career development programs to our employees to support their growth and upward mobility.

In addition, we are committed to shaping our corporate governance and culture to a high standard. We believe good governance and healthy culture are essential to our employees' well-being as well as our business development. To this end, we have put in place a series of internal regulations to set forth the guidelines for compliance with laws and regulations and promote honest and ethical conduct, including our code of business conduct and ethics, anti-corruption compliance policy, ESG management policy, internal control manual, insider trading policy and disclosure controls and procedures, among others. Striving to create an equal and inclusive corporate environment, we have also established training and safety standards, and adopted internal policies that address the protection of women's rights and interests, the prohibition of child labor, and the human rights principles against forced labor.

COVID-19 Initiatives

We believe it is our responsibility to offer our hand in difficult times and our commitment to society is manifested in our initiatives taken during the COVID-19 outbreak. We support China's nationwide efforts to contain the spread of COVID-19 and have launched a variety of initiatives to combat the pandemic. We prioritized the well-being of our employees by enforcing daily health checks and encouraging working-from-home arrangements to reduce the risk of contracting the disease to the extent possible. In addition, we offered to our employees an online course on psychological counseling to guide them relieve their pressures and anxieties.

During the COVID-19 pandemic, we have also launched relevant preventive measures. For instance, we carry out comprehensive sterilization and office cleaning on a regular basis subject to the inspection by our management team. In addition, we implemented staggering lunch breaks and distributed hygiene materials such as masks and disinfectants to our employees on a daily basis. We have also adopted a policy suspending meetings of more than ten people in a conference room and encouraging organizing online meetings.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We have been and may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

We and certain of our current and former officers and directors were named as defendants in a putative securities class action filed in federal court, captioned *In re 360 DigiTech, Inc. Securities Litigation*, No. 1:21-cv-06013 (U.S. District Court for the Southern District of New York, amended complaint filed on January 14, 2022). This case was purportedly brought on behalf of a class of persons who purchased our securities between April 30, 2020 and July 8, 2021 and who allegedly suffered damages as a result of alleged misstatements and omissions in our public disclosure documents in connection with our compliance and data collection practices. On January 14, 2022, Lead Plaintiff filed an Amended Complaint. On March 15, 2022, we filed a motion to dismiss the Amended Complaint. Briefing on the motion to dismiss was completed on May 31, 2022. In July 2022, the Court granted our motion to dismiss the Amended Complaint without prejudice, and granted Plaintiffs leave to replead by September 26, 2022. On September 26, 2022, Lead Plaintiff notified the Court that he does not intend to file a Second Amended Complaint. The Court entered a judgment in favor of Defendants on September 29, 2022. Plaintiff's deadline to appeal the judgment has now lapsed, and we consider the case to effectively be closed.

For risks and uncertainties relating to past and future lawsuits against us, please see "Risk Factors – Risks Related to Our Business and Industry – We and certain of our current and former directors or officers were, and in the future may be, named as defendants in putative shareholder class action lawsuits that could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation."

Compliance Matters

As advised by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, our Significant Subsidiaries in China had complied with the applicable existing effective laws and regulations in all material aspects. Please refer to "Regulatory Overview" for details on the measures taken by us to ensure compliance with applicable laws and regulations.

ICP License

The PRC regulations require telecommunications service providers procure the VATS licenses. ICP is considered as a sub-set of value-added telecommunications business. For companies which engage in internet information services of a commercial nature, the ICP license is required. See "Regulatory Overview – Regulations on Foreign Investment Restrictions – Regulations on value-added telecommunications services" for details.

It is unclear whether Credit-Tech service providers like us are required to obtain ICP license, or any other kind of VATS licenses. While one of our VIEs, Shanghai Qiyu, has been operating Credit-Tech business, communicating with Shanghai Communications Administration to obtain the ICP license and preparing for the application materials since its inception in 2016, it obtained its ICP license in April 2021 primarily due to the increasingly stringent licensing and regulatory environment. In particular, the delay for Shanghai Qiyu in obtaining its ICP license was primarily because (i) the governmental authorities adopted a prudent attitude in general towards online consumer finance business and other finance-related business in the substantive license application review process, and (ii) the beneficial ownership structure of Shanghai Qiyu was complicated, which required Shanghai Qiyu to spend substantial time in communicating with the governmental authorities during the license application process. The online information services offered through the online platform is a material component of our operations, which generates the online traffic and users for our services. If our past practice were deemed to be internet telecommunications business operations without VATS licenses or we were to be required to obtain additional VATS license, the governmental authorities may levy fines up to five times of the illegal income or RMB1 million, confiscate our income, revoke our business licenses, or require us to discontinue our relevant business, and our business, results of operations, financial condition, and prospects may be materially and adversely affected. See "Risk Factors – Risks Related to Our Business and Industry – If we fail to complete, obtain or maintain the value-added telecommunications license, other requisite license, or approvals or filings in China, our business, financial condition and results of operations may be materially and adversely affected."

We believe Shanghai Qiyu's exposure to the risk of material administrative penalties is remote based on our PRC Legal Adviser's consultation with an officer of the MIIT in September 2021, whom our PRC Legal Adviser confirms to be competent to provide the relevant confirmation, and in light of the fact that Shanghai Qiyu has obtained the ICP license and Shanghai Qiyu has not been subject to any administrative penalties in this regard during the Track Record Period and up to the Latest Practicable Date. Based on the abovementioned PRC Legal Adviser's view, our Directors are of the view that the above situation did not and will not have a material adverse effect on our business, financial condition or results of operations.

Circular 141 and Supplementary Financing Guarantee Provisions

Circular 141 issued by the Special Rectification of Internet Financial Risks Working Group and the P2P Credit Risks Rectification Working Group on December 1, 2017, introduces the regulating guidance on cash loan businesses including online micro-lending companies, P2P platforms and banking financial institutions. Circular 141 provides that a banking financial institution that offers cash loans through loan facilitation is prohibited from accepting credit enhancement or other similar services from third parties that lack requisite licenses to provide guarantees, among other requirements. In addition, according to Circular 141, all the relevant local authorities should submit the regulation plan and monthly working progress to the Special Rectification of Internet Financial Risks Working Group and the P2P Credit Risks Rectification Working Group, which indicates gradual rectification for compliance with Circular 141 is allowed. See "Regulatory Overview – Regulation on Online Finance Services Industry – Regulations on the business of loans facilitation" for details.

On October 9, 2019, nine government authorities including the CBIRC, the NDRC and the MIIT promulgated the Supplementary Financing Guarantee Provisions, which, as advised by our PRC Legal Adviser, for the first time, explicitly requires that institutions providing services such as borrower recommendation and credit assessment for various lending institutions, including us as a Credit-Tech company, shall not provide, directly or in a disguised form, financing guarantee services without approval. For the companies without the relevant financing guarantee license but actually engaging in financing guarantee business, the regulatory authorities shall cease such operations and cause these companies to properly settle the existing business contracts. See "Regulatory Overview – Regulations on Financing Guarantee" for details.

We neither collected guarantee fees from our financial institution partners, nor took providing guarantees as our main operating business through our non-licensed subsidiaries, while historically a Consolidated Affiliated Entity that had not obtained the financing guarantee license provided guarantees or other credit enhancement services to certain financial institution partners. Under such model, the non-licensed Consolidated Affiliated Entity could be deemed as operating financing guarantee business and therefore non-compliant with Circular 141 and the Supplementary Financing Guarantee Provisions.

As advised by our PRC Legal Adviser, Circular 141 does not have retrospective effect on the loan facilitation business conducted prior to the issuance of Circular 141. Therefore, credit enhancement services provided by the non-licensed Consolidated Affiliated Entity to financial institution partners under the existing, unexpired framework agreements that were entered into prior to the issuance of Circular 141 on December 1, 2017 are not subject to the requirements under Circular 141. Besides, the Supplementary Financing Guarantee Provisions allow the companies that engaged in financing guarantee business without the relevant financing guarantee license to properly settle the existing business contracts.

As advised by our PRC Legal Adviser, the regulatory authorities that issued Circular 141, namely, the Special Rectification of Internet Financial Risks Working Group and the P2P Credit Risks Rectification Working Group, were established under the leadership of the PBOC and the CBRC, which are not the direct and regular regulatory authorities of the non-licensed Consolidated Affiliated Entity. In addition, Circular 141 mainly regulates banking financial institutions that participated in the cash loans business, instead of us as a Credit-Tech company. Furthermore, for a certain period after the issuance of Circular 141, there remained certain uncertainties as to the interpretation, application and enforcement of Circular 141. Despite that, as we attached great importance on compliance matters, after the issuance of Circular 141, we proactively communicated with our financial institution partners to discuss the possibility of changing our guarantee practice to avoid potential risks. We and most of our financial institution partners started adjustments on the cooperation model immediately after the issuance of the Circular 141. For other financial institution partners that did not immediately adjust the cooperation model with us, some of them were of the view that the loans for which we provided guarantees or other credit enhancement services were not "cash loans," and therefore should not be subject to the requirements under Circular 141. In particular, Circular 141 specifies that the business of "cash loans" is characterized as no specific loan usage scenarios, no designated loan usage, no limitation on targeted borrowers, and no mortgage. As such, these financial institution partners believed that the loans facilitated through our platform were not "cash loans" regulated under Circular 141 because the loans facilitated through our platform are used for the purposes of consumption (i.e. for purchasing goods or services) and do not have all the four characteristics of ″cash loans″ as specified under Circular 141. In addition, as far as we have known, other financial institution partners that did not immediately adjust the cooperation model with us verbally communicated with their local regulatory authorities at that time, and these local regulatory authorities of our financial institution partners were aware of and agreed that these financial institutions could continue their existing business practice while gradually conduct rectification.

Meanwhile, we also engaged certain third-party licensed financing guarantee or insurance companies for providing guarantees or other credit enhancement services that were previously provided by the non-licensed Consolidated Affiliated Entity to financial institution partners. In addition, two licensed Consolidated Affiliated Entities, namely Fuzhou Financing Guarantee and Shanghai Financing Guarantee, were established in 2018 and 2019, respectively, to provide guarantees or other credit enhancement service to our financial institution partners. We gradually transferred our then existing guarantees or other credit enhancement service provided by the non-licensed Consolidated Affiliated Entity to third-party licensed financing guarantee companies, Fuzhou Financing Guarantee and Shanghai Financing Guarantee, or third-party licensed insurance companies, respectively, according to our business needs. We substantially ceased most of the guarantee services or other credit enhancement services provided by the non-licensed Consolidated Affiliated Entity to our financial institution partners by the end of 2018 and no longer entered into any new framework agreement since the beginning of 2019, under which we provided guarantee or other credit enhancement services to financial institution partners through the non-licensed Consolidated Affiliated Entity. From 2019 to September 2020, there remained only one financial institution partner to which we provided guarantee services through the non-licensed Consolidated Affiliated Entity.

Furthermore, to fulfill the requirement pursuant to the Supplementary Financing Guarantee Provisions and ensure compliance, after the issuance of the Supplementary Financing Guarantee Provisions on October 9, 2019, we continued to further adjust our historical financing guarantee practice and properly make settlement for the historical framework agreement with the only remaining financial institution partner to which we provided guarantee services through the non-licensed Consolidated Affiliated Entity, despite the impact of COVID-19 in the first half of 2020. As a result, we ceased all relevant guarantees or other credit enhancement services through the non-licensed Consolidated Affiliated Entity in September 2020.

Considering that: (i) we had not been subject to any administrative fines or penalties during the Track Record Period and up to the Latest Practicable Date due to such past practice; (ii) we have ceased such practice in September 2020 and thereafter did not provide any relevant guarantees or other credit enhancement services through the non-licensed Consolidated Affiliated Entity to our financial institution partners for loans facilitated through our platform; (iii) on July 12, 2022, our PRC Legal Adviser conducted verbal consultation with an officer in the local government authority in Shanghai who confirmed that the authority is responsible for investigations and daily supervisions of the financial guarantee business and is the competent authority to provide that confirmation; our PRC Legal Adviser made the local government authority in Shanghai aware that we did not provide any guarantees or other credit enhancement services through the non-licensed Consolidated Affiliated Entity to new loans facilitated through our platform since September 2020, and was informed that we would not be imposed any fines or penalties with regards to our past practice for providing all relevant guarantees and other credit enhancement services through the non-licensed Consolidated Affiliated Entity to the new loans facilitated through our platform from the implementation of such provisions up to 2021 that may be deemed to be inconsistent with certain requirements under Circular 141 and the Supplementary Financing Guarantee Provisions; and (iv) on October 17, 2022, our PRC Legal Adviser further conducted a verbal consultation with an officer of Shanghai Financial Regulatory Bureau, who confirmed that if that local government authority in Shanghai considers not imposing any fine or penalty, the Shanghai Financial Regulatory Bureau will generally respect the conclusion of that local government authority in Shanghai. Based on the foregoing, as advised by our PRC Legal Adviser, the risk that we would be subject to material administrative penalties by relevant authorities for such past practice in accordance with Circular 141 and the Supplementary Financing Guarantee Provisions is remote. In addition, considering that (i) our non-licensed Consolidated Affiliated Entity is registered in the district of Shanghai where the local government authority in Shanghai providing the confirmation on July 12, 2022 is authorized for the daily supervision and administration of local enterprises engaging financing guarantee business; (ii) according to the Measures of Shanghai Municipality on the Supervision and Administration of financing guarantee companies (《上海市融資擔保公司監督管理辦法》), the relevant district government authority shall undertake the duties of preliminary examination and information statistics of the financing guarantee companies registered in their respective districts, organize and carry out risk monitoring, early warning, prevention and disposal and other related work, and take corresponding supervision and management measures; (iii) according to the List of Powers and Responsibilities of that local government authority in Shanghai as set forth on the website of Government Service Platform of Shanghai, that local government authority in Shanghai takes the responsibility on supervision and inspection of the business activities of local financial organizations and conducting off-site supervision and on-site inspection of financing guarantee companies registered in that district; and (iv) the above-mentioned verbal consultations with that local governmental authority in Shanghai and the Shanghai Financial Regulatory Bureau, our PRC Legal Adviser is of the view that the local government authority in Shanghai is a competent authority and the officer of that local governmental authority in Shanghai is competent to provide the above confirmations. Currently, third-party financing guarantee companies or the licensed Consolidated Affiliated Entity provides guarantee or other credit enhancement services to our financial institution partners. We engage third-party guarantee companies to provide guarantee services according to the commercial arrangements of the financial institution partners and because the relevant regulations impose a cap on the outstanding guarantee liabilities of the licensed Consolidated Affiliated Entity. Our Directors are of the view that the above situation did not and will not have a material adverse effect on our business, financial condition or results of operations taking into consideration the confirmation of relevant authorities, the PRC Legal Adviser's above-mentioned view and other facts as discussed above. Having taken into account the views of our Directors and our PRC Legal Adviser, which are concurred by the PRC legal adviser of the Joint Sponsors, nothing material has come to the attention of the Joint Sponsors, who are not legal experts, that would cause them to question the views of our Directors that the above situation did not and will not have a material adverse effect on our Group's operation and financial performance.

Meeting with Regulators

In April 2021, we and 12 other major financial technology platforms were invited to meet with the PBOC, the CBIRC, the CSRC, the SAFE and other financial regulators to discuss the operations and compliance practice of these platforms' internet financial businesses in China. We have been making rectifications and adjustments to our operations to address the issues discussed during the meeting and results of our self-examination according to the guidance provided by the regulators. As of the Latest Practicable Date, we have substantially completed most of the rectification measures based on our self-examination results according to the guidance provided by the relevant authorities. The regulatory authorities have reviewed our rectification measures in general. As a result, we have moved on to the regular regulatory supervision status (常態化監管階段) from the self-examination and rectification status (自查整改階段) according to the guidance provided by the regulatory authorities. Our rectification results remain subject to the regulators' regular supervision, and we cannot assure you that the measures we have taken and rectifications we have made will satisfy the requirements from the regulators. To the extent that our rectification efforts are deemed not sufficient or unsatisfactory to the regulators, we may face further rectification orders or other administrative actions, in which case our business and operations may be materially and negatively affected. Please refer to "Risk Factors – Risks Related to Our Business and Industry – We are subject to uncertainties surrounding regulations and administrative measures of the loan facilitation business. If any of our business practices are deemed to be non-compliant with applicable laws and regulations, our business, financial condition and results of operations would be adversely affected" for details.

Housing Provident Fund

During the Track Record Period, one of our PRC subsidiaries did not complete its housing provident fund registration in time as required under the Regulations on Administration of Housing Provident Fund and other relevant regulations. As of the Latest Practicable Date, we have completed the housing provident fund registration for such subsidiary.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), if we fail to undertake contribution registration of housing provident fund or fail to go through the formalities of opening housing provident fund accounts for our employees, the housing provident fund management center shall order us to go through the formalities within a prescribed time limit. Failure to do so at the expiration of the time limit will lead to the imposition of a fine between RMB10,000 and RMB50,000. We did not complete the housing provident fund registration in a timely manner primarily because the region where the subsidiary is located is remote and transportation in that region is inconvenient. See "Risk Factors – Risks Related to Our Business and Industry – Failure to comply with the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds may subject us to fines and other legal or administrative sanctions."

Our Directors believe that such non-compliance would not have a material adverse effect on our business or results of operations, considering that: (i) we had not been subject to any administrative actions, fines or penalties during the Track Record Period and up to the Latest Practicable Date due to such non-compliance; and (ii) we were neither aware of any employee complaints filed against us nor involved in any labor disputes with our employees with respect to housing funds during the Track Record Period and up to the Latest Practicable Date. As advised by our PRC Legal Adviser, considering the foregoing circumstances, the risk that we would be subject to material administrative penalties by relevant authorities is remote.

LICENSES AND PERMITS

As advised by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, our Significant Subsidiaries incorporated in China had obtained all requisite licenses, approvals and permits from relevant governmental authorities necessary to conduct our operations in all material aspects from the relevant government authorities in China, except Shanghai Qiyu's past practice and only obtained its ICP license in April 2021. See "Risk Factors – Risks Related to Our Business and Industry – If we fail to complete, obtain or maintain the value-added telecommunications license, other requisite license, or approvals or filings in China, our business, financial condition and results of operations may be materially and adversely affected."

MATERIAL REGULATIONS RELEVANT TO OUR BUSINESS

Circular 141

Circular 141, effective on December 1, 2017, provides that a banking financial institution that offers cash loans through loan facilitation is prohibited from accepting credit enhancement or other similar services from third parties that lack requisite license to provide guarantees, among other requirements. In addition, banking financial institutions shall (i) not extend loan funded by its own capital and funding from unqualified institutions; (ii) not outsource credit review and approval, risk management or other core operations in the provision of credit services to third-party collaborators; including not accepting credit enhancement services, loss-bearing commitments or other credit enhancement services provided in a disguised form by any third party that does not have relevant qualifications to provide guarantees; (iii) make sure that the third party with which it cooperates will not charge any interests or fees from borrowers; and (iv) not directly invest or invest in a disguised form in asset-backed securitization products or other products backed by cash loans, campus loans or down payment loans.

Historically, a Consolidated Affiliated Entity that had not obtained the financing guarantee license provided guarantees or other credit enhancement services to certain financial institution partners, which could be deemed non-compliant with Circular 141. We have completely ceased such practice through the non-licensed Consolidated Affiliated Entity since September 2020 as we finished our adjustment of our historical financing guarantee practice. In addition, we are not involved in financial institutions' independent credit review and approval and risk management operations, among others, in compliance with Circular 141. As advised by our PRC Legal Adviser, the risk that we would be subject to material administrative penalties by relevant authorities for our past guarantee practice under Circular 141 is remote. Hence, we are of the view that the measures we take to ensure compliance with Circular 141 will not have any material adverse impact on our business operation or financial performance. Please refer to "– Legal Proceedings and Compliance – Compliance Matters – Circular 141 and Supplementary Financing Guarantee Provisions" and "Regulatory Overview – Regulations on Online Finance Services Industry – Regulations on the business of loan facilitation" and "Risk Factors – Risks Relating to Our Business and Industry – We are subject to uncertainties surrounding regulations and administrative measures of the loan facilitation business. If any of our business practices are deemed to be non-compliant with applicable laws and regulations, our business, financial condition and results of operations would be adversely affected" for details.

Internet Loans Interim Measures

The Internet Loans Interim Measures, effective on July 12, 2020 and amended on June 21, 2021, requires commercial banks to evaluate their cooperating institutions and implement processes to manage these institutions and not to accept direct and disguised credit enhancement services from unqualified cooperating institutions, nor entrust third-party agencies with records of violent collection or other illegal records to collect loans. The Internet

Loans Interim Measures also provide that, except for cooperating institutions that contribute funding to the loans, commercial banks shall not completely delegate the cooperating institutions to perform core operations, such as loan disbursement, principal and interest collection, and stop payment and shall independently carry out risk management and credit approval for the loans they fund, and shall bear primary responsibility for post-loan management.

As advised by our PRC Legal Adviser, we are in compliance with the Internet Loans Interim Measures in all material respects. In addition, we are not involved in financial institutions' independent credit review and approval and risk management operations. We assist in financial institutions' post-loan management as instructed or delegated by them and the financial institutions still bear the primary responsibility, among others, in compliance with the Internet Loans Interim Measures. Hence, we are of the view that the measures we take to maintain compliance with the Internet Loans Interim Measures will not have any material adverse impact on our business operation and financial performance. Please refer to "Risk Factors – Risks Relating to Our Business and Industry – We are subject to uncertainties surrounding regulations and administrative measures of the loan facilitation business. If any of our business practices are deemed to be non-compliant with applicable laws and regulations, our business, financial condition and results of operations would be adversely affected" and "Regulatory Overview – Regulations on Online Finance Services Industry – Regulations on the business of loan facilitation" for details.

Draft Online Marketing Measures

The Draft Online Marketing Measures, issued on December 31, 2021, regulates online marketing of financial products by financial institutions or internet platform operators entrusted by such financial institutions. They prohibit third-party online platform operators from being involved in the sales process of financial products in a disguised way without the approval of financial regulatory authorities, including but not limited to interactive consultation with consumers on financial products, suitability evaluation of consumers of financial products, signing of sale contracts, transfer of funds and participation in the income sharing of financial business. As of the Latest Practicable Date, the Draft Online Marketing Measures have not been formally adopted and it is uncertain when the final regulations will be issued and take effect, and how they will be interpreted and implemented.

We do not conduct suitability evaluation of consumers of financial products. Instead, we utilize technologies to conduct preliminary credit assessment on prospective borrowers and match such prospective borrowers with financial institution partners. As advised by our PRC Legal Adviser, under the Draft Online Marketing Measures, our online platform entrusted by financial institutions is allowed to conduct online marketing, such as displaying information of financial products via 360 Jietiao app and providing online channels for consumers to access financial products, under our embedded financial model, intelligent marketing services or other platform services provided to financial institutions as long as (i) we are not involved in the aforementioned sale process of financial product and (ii) the operations of our online platform continue to be entrusted by financial institutions pursuant to relevant laws and regulations.

Nevertheless, certain service fees we charge from financial institution partners are based on loan volume and interest rate, which may be recognized as participating in the income sharing of financial business in a disguised way. According to the Draft Online Marketing Measures, we may be required to adjust the way we charge financial institutions.

If the Draft Online Marketing Measures take effect in its current form, we will consult and negotiate with our financial institution partners to make the necessary adjustments on cooperation agreements as required by the authorities and our financial institution partners to ensure compliance. Meanwhile, the Draft Online Marketing Measures provide a 6-month grace period from its effectiveness date for companies to make adjustments and become compliant with the provisions therein. If the Draft Online Marketing Measures are adopted in their current form, we believe the adjustment of the service fee arrangement will not have a material adverse effect on the cooperation between the financial institutions and us or our revenues. Based on our current assessment, we are of the view that such adjustment measures we may take will not cause any material adverse impact on our business operation and financial condition. Please refer to "Risk Factors – Risks Relating to Our Business and Industry – Our access to sufficient and sustainable funding at reasonable costs cannot be assured. If we fail to maintain collaboration with our financial institution partners or to maintain sufficient capacity to facilitate loans to borrowers, our reputation, results of operations and financial condition may be materially and adversely affected" and "Regulatory Overview – Regulations on Online Finance Services Industry – Regulations on online marketing of financial products" for details.

Online Micro-Lending Draft

The Online Micro-Lending Draft, published on November 2, 2020, provides that the online micro-lending business conducted by a micro-lending company shall mainly be carried out within the provincial-level administrative region to which its place of registration belongs, and shall be not operated beyond such region without the approval of the banking regulator under the State Council. In addition, the Online Micro-Lending Draft provides the following requirements with respect to micro-lending companies that conduct micro-lending business: (i) the registered capital of a micro-lending company which engages in online micro-lending business shall not be less than RMB1 billion and shall be paid in lump-sum in the form of cash; (ii) the registered capital of a micro-lending company which engages in online micro-lending business across provincial-level administrative regions shall not be less than RMB5 billion and shall be paid in lump-sum in the form of cash; (iii) the capital contribution of a micro- lending company's controlling shareholder shall not be higher than 35% of its net assets in the previous fiscal year; (iv) the controlling shareholder of a micro-lending company which engages in online micro-lending business shall have a good financial position and be profitable consecutively in the last two fiscal years while having cumulative tax liabilities of not less than RMB12 million (as per the standard of consolidated accounting statement); and (v) an investor, its related parties and persons acting in concert shall not be the major shareholders of more than two micro-lending companies that engage in online micro-lending business across provincial level administrative regions, or hold controlling interests in more than one micro-lending company that engages in online micro-lending business across provincial-level administrative regions.

Fuzhou Microcredit has obtained the approval from a competent supervising authority to operate online micro-lending business. As of the Latest Practicable Date, Fuzhou Microcredit has increased its registered capital to RMB5 billion, which was fully paid, to meet the requirements as stated in the Online Micro-Lending Draft and would proactively apply for the license to engage in online micro-lending business across provincial-level administrative regions when the relevant rules are officially formulated. Based on our current assessment and as advised by our PRC Legal Adviser, we are of the view that Fuzhou Microcredit and its controlling shareholder fulfill the requirements in (i), (ii), (iv) and (v) on the business operation and financial condition under the Online Micro-Lending Draft in all material respects, except the requirement that the capital contribution of a micro-lending company's controlling shareholder shall not be higher than 35% of its net assets in the previous fiscal year. Except the requirement (iii) as mentioned above, our PRC Legal Adviser is not aware of any material legal impediments which specifically stated in the Online Micro-Lending Draft to meet the requirements to acquire an online micro-lending license under the Online Micro-Lending Draft for Fuzhou Microcredit. As of the Latest Practicable Date, the Online Micro-Lending Draft is yet to be formally promulgated and adopted and it is uncertain when the final regulations will be issued and take effect and how they will be enacted, interpreted and implemented, and there can be no assurance that the PRC regulatory authorities will ultimately take a view that is consistent with our PRC Legal Adviser.

Currently, Fuzhou Microcredit can conduct cross-province business with its valid license. If the Online Micro-Lending Draft takes effect in its current form, Shanghai Qiyu, the controlling shareholder of Fuzhou Microcredit, can increase its net assets by capital increment and profit enhancement to meet this requirement, and Fuzhou Microcredit may need to obtain the legal approval of the banking regulator under the State Council in order to engage in online micro-lending business across provincial-level administrative regions. Based on the foregoing assessment and the abovementioned PRC Legal Adviser' view, we are of the view that the measures we plan to take to ensure compliance with the Online Micro-Lending Draft, if it is enacted in its current form, will not have any material adverse impact on our business operation and financial performance. However, if we fail to obtain the license to engage in online micro-lending business across provincial-level administrative regions, we may not be able to obtain sufficient funding to fulfill our future growth needs. See "Risk Factors – Risks Relating to Our Business and Industry – We are subject to uncertainties surrounding regulations and administrative measures of micro-lending business and financing guarantee business. If any of our business practices are deemed to be non-compliant with such laws and regulations, our business, financial condition and results of operations would be adversely affected" and "Regulatory Overview – Regulations on Online Finance Services Industry – Regulations on micro-lending business."

Credit Reporting Measures and Notice Relating to Disconnecting Direct Connection

The Credit Reporting Measures, effective on January 1, 2022, requires that any entity that engages in personal credit reporting business shall obtain permit from the PBOC's personal credit reporting agency; any entity that engages in enterprise credit reporting business shall complete filing procedures pursuant to the law; and any entity that engages in credit rating business shall complete filings as a credit rating agency pursuant to the law. The Credit Reporting Measures provide that (i) 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) users of information 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 an emergency and report system for incidents, and (iv) credit reporting agencies shall comply with related laws and regulations when providing credit information to overseas. Credit Reporting Measures provide an 18-month grace period from its effectiveness date for organizations that engage in credit reporting business to obtain the credit reporting business license and comply with its other provisions.

The Notice Relating to Disconnecting Direct Connection, issued on July 7, 2021, further prohibits the direct flow of personal information from internet platforms that collect such information to financial institutions.

In our service process and operation flow, we collect certain basic information and other necessary information of users for preliminary fraud detection and credit assessment, and then recommend the prospective borrowers' profiles to and share the preliminary results of our credit assessment with our financial institution partners to facilitate their final risk management and credit decision making. The foregoing operations may be deemed as operations of credit reporting business, pursuant to the Credit Reporting Measures and the Notice Relating to Disconnecting Direct Connection.

To ensure compliance with the Credit Reporting Measures and the Notice Relating to Disconnecting Direct Connection, we have taken various adjustment measures, and will complete such adjustments within the 18-month grace period that began on January 1, 2022. We have entered into a collaboration agreement with a licensed credit reporting institution for the implementation of plans to ensure the flow of personal information complies with the Credit Reporting Measures and the Notice Relating to Disconnecting Direct Connection. In addition, we have been actively communicating with regulatory authorities regarding the adjustment actions and will continue to do so during the grace period. We estimate that the relevant annual costs resulting from such adjustments will account for approximately 1.4% of our facilitation, origination and servicing costs for the year ended December 31, 2021. Therefore, we believe the overall cost for the adjustments is within an acceptable range and will not materially adversely affect our cooperation with financial institutions, our business operation and financial performance. Please refer to "Risk Factors – Risks Relating to Our Business and Industry – We are subject to uncertainties surrounding regulations and administrative measures of credit reporting. If any of our business practices is deemed to be non-compliant with such laws and regulations, our business, financial condition and results of operations would be adversely affected" and "Regulatory Overview – Regulations on Credit Reporting Business" for more details.