

## SECTION B1

### FOREIGN LAWS AND REGULATIONS

Our Company is incorporated in the Cayman Islands and governed by its Articles of Association, as amended from time to time, and subject to the Companies Act, Cap.22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time (the “**Cayman Companies Act**”). Our ADSs are also listed on the Nasdaq in the U.S. under the symbol “QFIN”; we are considered a “foreign private issuer” and are subject to certain U.S. laws and regulations and the Nasdaq Marketplace Rules. We set out below a summary of key laws and regulations that concern shareholder rights and taxation that may differ from comparable provisions in Hong Kong. This summary does not contain all applicable laws and regulations, nor does it set out all the differences with laws and regulations in Hong Kong, or constitute legal or tax advice.

## Foreign Laws and Regulations: Cayman Islands

### RIGHTS OF SHAREHOLDERS

#### 1. Dividends

##### *Under our constitution*

The holders of ordinary shares are entitled to such dividends as may be declared by the Board of Directors. In addition, shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by the directors. Under Cayman Islands law, dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or the Company's share premium account, and provided further that a dividend may not be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business.

Any dividend which remains unclaimed after a period of six calendar years from the date of declaration of such dividend may be forfeited by the Board of Directors and, if so forfeited, shall revert to the Company.

#### 2. Voting Rights

##### *Under our constitution*

In respect of matters requiring shareholders' vote, on a show of hands, each shareholder present in person or by proxy is entitled to one vote or, on a poll, each shareholder present in such manner is entitled to one vote for each share registered in his name on the register of members of the Company. Voting at any shareholders' meeting is by show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded. A poll may be demanded by the chairman of the meeting or any shareholder present in person or by proxy.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. Holders of the ordinary shares may, among other things, divide or consolidate their shares by ordinary resolution. A special resolution requires the affirmative vote of no less than three-fourths of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. A special resolution will be required for important matters such as a change of name or making changes to the Memorandum and Articles of Association. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of the Company, as permitted by the Companies Act and the Memorandum and Articles of Association.

### **3. Restructuring**

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

- (a) is or is likely to become unable to pay its debts; and
- (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

### **4. Liquidation**

#### ***Under our constitution***

On a winding up of the Company, if the assets available for distribution among the shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed among the shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise. If the assets available for distribution are insufficient to repay the whole of the share capital, the assets shall be distributed so that, as nearly as may be, the losses are borne by the shareholders in proportion to the par value of the shares held by them.

#### ***Under the Cayman Companies Act***

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

## **5. Shareholders' Suits**

### ***Under the Cayman Companies Act***

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

## **6. Protection of Minorities**

### ***Under the Cayman Companies Act***

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

## **DIRECTORS' POWERS AND INVESTOR PROTECTION**

## **7. Directors Borrowing Powers**

### ***Under our constitution***

The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock and other such securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

## **8. Shareholders' Suits**

### *Under the Cayman Companies Act*

See item 5 above.

## **9. Protection of Minorities**

### *Under the Cayman Companies Act*

See item 6 above.

## **TAKEOVER OR SHARE REPURCHASES**

## **10. Redemption, Purchase and Surrender of Shares**

### *Under our constitution*

The Company may issue shares on terms that such shares are subject to redemption, at the option of the Company or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by the Board of Directors or by shareholders by special resolution. The Company may also repurchase any of the Company's shares (including any redeemable shares) provided that the manner and terms of such purchase have been approved by the Board of Directors, or by shareholders by ordinary resolution, or are otherwise authorized by the Memorandum and Articles of Association.

Under the Companies Act, the redemption or repurchase of any share may be paid out of the Company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the Company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the Company has commenced liquidation. In addition, the Company may accept the surrender of any fully paid share for no consideration.

## **11. Mergers and Consolidations**

### *Under the Cayman Companies Act*

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or

consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

## **12. Reconstructions**

### ***Under the Cayman Companies Act***

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

## **13. Take-overs**

### ***Under the Cayman Companies Act***

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

## **TAXATION**

### **14. Stamp duty on transfers**

#### *Under the Cayman Companies Act*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

### **15. Taxation**

#### *Under the Cayman Companies Act*

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
  - (i) on or in respect of the shares, debentures or other obligations of the Company; or
  - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

## Foreign Laws and Regulations: United States and Nasdaq

### RIGHTS OF SHAREHOLDERS AND HOW THEY MAY EXERCISE THEIR RIGHTS

#### 1. Shareholder Rights Under the Deposit Agreement

- *Prompt receipt of distributions.* Whenever the depository receives any dividend or other distribution on the underlying shares, the depository must promptly distribute the amount received (net of taxes and the fees/expenses of the depository) to the ADR holders.
- *Voting of deposited securities.* Upon receipt of notice of any shareholders meeting, if requested in writing by the Company, the depository must, as soon as practicable, mail to ADR holders a notice containing key information received by the depository; and upon written instruction by the ADR holder, the depository will, as far as practicable, vote the underlying shares in accordance with the ADR holder's instructions. If no instructions are received, the depository may give a discretionary proxy to a person designated by the Company.
- *Reports.* ADR holders have a right to inspect reports and communications, including proxy soliciting material, received from the Company by the depository or generally made available to shareholders.
- *Withdrawal.* Subject to limited exceptions, ADR holders have the right to cancel their ADSs and withdraw the underlying shares at any time.

#### 2. Shareholder Proposals and Approvals

As a foreign private issuer, our Company is not subject to SEC rules regarding proxy statements to shareholders. Instead, shareholder proposals must be made in accordance with our Company's Articles of Association, as amended.

Each Nasdaq-listed company is generally required to obtain shareholder approval of certain issuances of securities, including in connection with: (i) acquiring the stock or assets of another company; (ii) equity-based compensation of officers, directors, employees or consultants; (iii) a change of control; and (iv) private placements. However, as our Company is a foreign private issuer, it can follow "home country practice" (i.e., the practice in the Cayman Islands) in lieu of complying with the above Nasdaq rule.

#### 3. Corporate Governance

The Nasdaq Marketplace Rules contain a number of corporate governance requirements for Nasdaq-listed companies, the principal of which are:

- *Majority Independent Directors.* A majority of the board of directors must be comprised of "Independent Directors."
- *Audit Committee.* Each Nasdaq-listed company must have an audit committee of at least three members consisting of independent directors who satisfy certain requirements.



- *Compensation Committee.* Each Nasdaq-listed company must have a compensation committee of at least two members consisting of independent directors.
- *Nomination Committee.* The independent directors or a committee of independent directors must select or recommend nominees for directors.

However, as a foreign private issuer, our Company can opt to be exempt from most of the requirements if we choose to follow “home country practice”, which would be disclosed in our annual report (Form 20-F). Notwithstanding, our Company cannot opt out of the requirement to maintain an audit committee, which would be responsible for establishing procedures for handling complaints regarding our Company’s accounting practices.

#### 4. **Sarbanes-Oxley Requirements**

The Company is also subject to the *U.S. Sarbanes-Oxley Act of 2002* (“**Sarbanes-Oxley**”). Sarbanes-Oxley addresses issues such as the composition of the audit committee of the board of directors and the adoption of the company codes of ethics, including:

- *No loans to directors or executive officers.* A company cannot extend loans to its directors and executive officers.
- *Whistle-blower protection.* The company is required to establish procedures for confidential and anonymous submission by employees of accounting-related concerns.

#### 5. **Takeover Regulations**

*Mergers.* As our Company is a foreign private issuer, we are required to file with the SEC a proxy statement in the form of a Form 6-K, containing certain mandated information, in connection with a proposed merger transaction. Foreign private issuers may elect to follow their “home country practices” in lieu of complying with applicable shareholder approval requirements under the Nasdaq Marketplace Rules.

*Tender Offers.* Neither the U.S. federal securities laws nor the Nasdaq Marketplace Rules have the concept of a “general offer.” Therefore, a party making a tender offer is free to decide how many shares will be subject to the offer. All holders of the same class of securities must be treated equally and the highest consideration paid to any one shareholder of that class of securities must be paid to all shareholders of that same class. A tender offer must remain open for a minimum of 20 business days after commencement, and may be extended in circumstances. Within 10 business days of commencement, the subject company must send a notice to its shareholders recommending whether to accept or reject a tender offer, or expressing a neutral position.

*Disclosure of Interests for Major Shareholders.* Any person who, after acquiring beneficial ownership of a class of equity securities (which includes the power to direct the voting or the disposition of the securities) registered under Section 12 of the Exchange Act (“**Registered Equity Class**”), is a beneficial owner of more than 5% of the Registered Equity Class, must publicly file beneficial owner reports (Schedule 13D or Schedule 13G) with the SEC, and such person must promptly report any material change in the information provided (including any acquisition or disposition of 1% or more of the class of equity securities concerned), unless exceptions apply. Schedule 13D must be filed by all shareholders who are not otherwise eligible to use Schedule 13G.