You should read the following discussion and analysis in conjunction with our combined financial statements included in "Appendix I – Accountant's Report" to this Document, together with the accompanying notes. Our combined financial information has been prepared in accordance with IFRS Accounting Standards, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountant's Report and should not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For details, please refer to "Forward-looking Statements" and "Risk Factors" in this Document. For the purpose of this section, unless the context otherwise requires, references to 2020, 2021 and 2022 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a digital payment solution provider from China with a global payment capability to serve our customers around the world.

We provide digital payment services and value-added services to enable global commerce and improve the efficiency of fund and information flow. Our customers are primarily business clients, consisting of small and midsized merchants and enterprises. Globally, we help our merchant customers to repatriate their funds from sale of goods and provision of services, and make payments quickly and reliably through virtual accounts we assign to our customers under our accounts endorsed by global commercial banks. In China, we act primarily as a payment service provider to help our enterprise customers to streamline their fund collection process and reduce operational costs by offering enterprise customers a digital platform, which consolidates payment information from various online and offline payment methods initiated by end-buyers when purchasing goods. Our services ultimately facilitate the completion of the payment process.

As one of the key pillars of global e-commerce, digitalization of flow of funds plays a critical role in the modernization of business activities to reduce to-account time, increase transparency and cut cost of the payment process. Since receiving our first payment license in 2011, Lianlian has been committed to building a global payment network to bring global markets to local businesses around the world through digital transformation by enhancing transactional and operational efficiencies. Our proprietary technological capabilities have ensured that we have the foundation to build our payment capabilities in China and around the world.

We have developed a proprietary technology platform embedding stable, secure and flexible systems that cover payment, fund transfer, global fund distribution, intelligent FX processing, intelligent risk management and other functions, providing a one-stop service for customers that address their core needs. Through developing and providing comprehensive solutions to merchants and enterprises in China and around the world, we are dedicated to building a close partnership with the essential players in the e-commerce ecosystem and have gained deep insights into global commerce across different industries.

Among all the China-based digital payment solution providers, we have the broadest global business outreach and license coverage, and we are the only one holding all state-level money transmitter licenses in the United States, according to Frost & Sullivan. As of December 31, 2023, our global license layout consists of 64 payment licenses and relevant qualifications. With these licenses and in collaboration with business partners, we are able to serve customers to conduct their trading activities on global and regional e-commerce platforms that encompass over 100 countries and regions and support transactions in over 130 currencies.

We have achieved resilient growth during the Track Record Period:

- ***Expanded global customer base***. As of September 30, 2023, we have served, in the aggregate, approximately 3.2 million merchants and enterprises, from various industries, including e-commerce, service industries and manufacturing, among others.

- ***Rapid global and domestic payment volume growth***. Our TPV of digital payment services increased by 14.3% from RMB849.4 billion in 2020 to RMB971.2 billion in 2021, and increased by 18.7% to RMB1,153.0 billion in 2022. Our TPV of digital payment services was RMB1,312.0 billion for the nine months ended September 30, 2023.

- ***Continued revenue growth***. Our total revenue increased from RMB588.5 million in 2020 to RMB643.6 million in 2021 and further to RMB742.7 million in 2022, with a CAGR of 12.3%. Our total revenue increased by 38.4% from RMB532.4 million for the nine months ended September 30, 2022 to RMB736.7 million for the nine months ended September 30, 2023.

BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2020, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of the Historical Financial Information throughout the Track Record Period. The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and derivative liabilities at fair value through profit or loss or through other comprehensive income, which are carried at fair value. The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4 to the Accountant's Report included in Appendix I to this Document.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, some of which may be beyond our control. A discussion of the key factors is set out below.

General Factors

Prospect of Global Commerce, China's Import and Export Activities and Other Macroeconomic Conditions

The development of our digital payment services and value-added services is largely affected by the growth of global commerce and China's import and export activities. The vitality of global commerce and China's import and exports is dependent on the macroeconomic conditions, including GDP growth, foreign exchange and interest rate and other multiple factors. General macroeconomic conditions in China also affect our cross-border and domestic activities. These factors affect, directly and indirectly, our TPV, number of customers using our digital payment services, and their demand and willingness to pay for our value-added services. A significant part of our business relates to the e-commerce industry and is heavily reliant on its continued growth and utilization globally. Geopolitical events and resulting government policies may also affect the commerce activities within certain regions, our access to local customers and our ability to deliver service offerings.

Development of Digital Payment Solutions Market Globally and in China

We believe that payment is the foundation for all business activities and is critical to the digitalization of business activities. During the Track Record Period, our digital payment solutions have enabled the business digitalization of a large number of merchants and enterprises globally and in China, and contributed a substantial majority of our revenue. In other words, the growth of our business is driven by the development of digital payment services globally and in China. Our customer base and TPV are affected by the trend of digitalization, technology development, industry landscape and outlook of various industries in which our customers operate.

Global Regulatory Environment and Governmental Policies

Our global payment network is built upon global license layout, which provides us legitimate and direct market access and the foundation for sustainable business development. Changing regulatory environment and governmental policies may lead to disruptions or discontinuation of the solutions we offer and may lead to incremental costs associated with compliance and administration.

Company-Specific Factors

Ability to Retain and Expand Our Customer Base and Increase the TPV

Our revenue consists of revenues from digital payment services and value-added services, which in turn are primarily driven by our customer base and TPV. Our revenue is driven by the number of customers we serve and the scope and volume of digital payment and value-added services our customers utilize. We will continue to enhance our integrated digital payment solutions to grow the engagement level and volumes with existing customers, and to attract new customers to our services. Our revenue is also driven by our TPV, which is affected by (i) the industries in which our customers operate, including their size and macro environment, (ii) the competitive landscape and our market share in the industries in which we operate and (iii) our ability to diversify, expand and penetrate into additional industries and regions. For the 12 months ended December 31, 2020, 2021, 2022 and September 30, 2023, we had 0.43 million, 0.69 million, 0.85 million and 1.11 million active customers, respectively, with a CAGR of 41.6% from 2020 to 2022.

Ability to Develop and Cross-sell Innovative Service Offerings, and Our Service Mix

Our ability to develop new service offerings, cross-sell innovative services to existing and new customers, and replenish our offering pipeline with additional solutions that our customers need has a significant impact on our results of operations and business prospects.

We leverage our domain knowledge, technology capabilities and customer insights to develop differentiated and innovative service offerings. The pricing and gross margin of our different services vary significantly. We expect that our service mix will continue to affect our overall financial performance. We have made and will continue to make investments in developing technology-driven digital solutions to serve our customers, enhance their experience and enrich the all-in-one capability of our platform.

Pricing for our products and services is also essential to operating results. The fee rate we charge is largely driven by the extent of transaction scope, competitive landscape, market prevailing rates, and business competency, and may also be affected by regulatory guidance and requirements. Leveraging our solutions, technologies and market position, we believe we are in an advantageous position to price most of our services.

Expansion of Global Payment Network and Relationship with Global Partners

Our ability to maintain and expand the global payment network and to support the service offering and market entry initiatives under the regulatory framework plays an important role in our results of operations.

Maintaining a healthy collaborative relationship with diverse global business partners is critical for us to offer differentiated services and to improve our operating results. During the Track Record Period, our business partners primarily include e-commerce platforms, commercial banks, clearing institutions and third-party service providers.

Our Ability to Manage Cost and Improve Operating Efficiency

Cost structure and operating efficiency are crucial to our results of operations and financial condition. Our ability to leverage our technology and to strengthen our relationship and bargaining power with financial institutions and channel partners will affect our costs of sales, gross profit and operating results in general. Our costs in collaboration with such institutions and channel partners primarily include (i) processing fees to commercial banks, clearing institutions and certain third-party service providers who provided virtual card issuing services or payment related services to help us connect with domestic or global payment network and (ii) commission costs to channel partners for expanding our service offerings and obtaining new customers. Channel partners leverage their marketing and promotion capabilities to help us reach and obtain customers in designated geographic areas or industries, including promoting and advertising our services, expanding our market and industry coverage, and recommending their customers to use our services. We pay our channel partners commissions primarily based on the revenues generated through their services.

We also incur various operating expenses, primarily including (i) research and development expenses for enhancing our innovation and technology capabilities to support our business development and maintain our technological advantages, (ii) selling and marketing expenses associated with customer acquisition and engagement to fuel our growth and (iii) general and administrative expenses.

Ability to Identify Strategic Partnership, Investment and Acquisition Opportunities

Running business globally requires us to maintain and explore various strategic collaborations. We may evaluate and consider a wide array of potential transactions, including partnership, investment and acquisition opportunities, as part of overall business strategy, to generate operation synergies and expand our business. Such partnerships, investments and acquisitions may require additional funding and bring profits or incur losses in the future.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates as well as complex judgments related to accounting items. The estimates we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continuously evaluates such estimates, assumptions and judgments based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set forth below are accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates and judgments, which are important for understanding our financial condition and results of operations, are set forth in further detail in Note 4 to the Accountant's Report included in Appendix I to this Document.

Revenue Recognition

We recognize revenues when or as the control of the promised goods or services is transferred to the customers, netting of value-added taxes and discounts. Depending on the terms of the contracts and the laws that apply to the contracts, control of the goods and services may be transferred over time or at a point in time.

Digital Payment Services

Our digital payment services mainly include pay-in, pay-out, acquiring, foreign exchange, virtual card and payment aggregation. See "Business – Digital Payment Services."

The fee of digital payment services is mainly calculated based on a certain percentage of the transaction amount or number of transactions agreed in the contracts with customers. Revenue under such arrangement is recognized, at a point in time, upon completion of the payment service. We may also collect a fixed annual, quarterly or monthly fee from customers, and revenue under such fixed fee arrangement is recognized within a period of time. A contract liability is recognized when customers pay the service fee in advance.

In addition, we provide global foreign exchange service to customers who receive or pay money globally. Foreign exchange commission income is recognized at a point in time when the foreign exchange transaction is completed.

Value-Added Services

Our value-added services mainly include (i) business services, which primarily include digital marketing and referral service, and (ii) technology services, which primarily include account and e-wallet as well as software development. Revenues for the value-added services are recognized at the point of service completion or during a period of time.

Revenue from Other Sources

We derive a small portion of our revenue from property rental, micro-loan and factoring services. We discontinued our micro-loan and factoring services in 2021. Rental income is recognized on a time proportion basis over the lease terms. According to International Financial Reporting Standards 15, revenue is defined as income arising in the course of an entity's ordinary activities. Zhejiang Lianlian Information Technology Co., Ltd. rented out part of Lianlian Tower to other tenants and continued generating revenue in the amount of RMB20.2 million, RMB21.5 million, RMB21.2 million and RMB13.8 million in 2020, 2021, 2022 and nine months ended September 30, 2023, respectively. Since Zhejiang Lianlian Information Technology Co., Ltd.'s ordinary activities are investment properties leasing and property management, rental income from Zhejiang Lianlian Information Technology Co., Ltd. resulting from renting of properties to tenants shall be presented as revenue from other sources rather than other income. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset, after deduction of the loss allowance. Factoring income mainly consists of factoring interest income and other factoring-related service income. Factoring interest income are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Associates

Associates are all entities over which we have significant influence but not control or joint control. This is generally the case where we hold between 20% and 50% of the voting rights. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee and the share of other comprehensive income of the investee after the date of acquisition.

We determine at each reporting date whether there is any objective evidence that the investments in the associate are impaired. If this is the case, we calculate the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognize the amount adjacent to share of profits/(losses) of investments accounted for using the equity method in the consolidated statement of comprehensive income.

Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by us.

We performed impairment assessment when an associate resulted in a loss. We compared the recoverable amount of the associate with the carrying amount of our investment in the associate. We assessed the market value of LianTong by referencing with enterprise value to sales ratio of market comparables and considered the lack of marketability discount. During the assessment, we also made adjustments of Liantong's excess cash and interest bearing debt to get the market value of LianTong.

The following table sets out the key assumptions for impairment testing of investments in LianTong.

	As of December 31,			As of September 30,
	2020	**2021**	**2022**	**2023**
Key assumptions				
Enterprise value to sales ratio of market comparables	8.2	6.9	5.0	5.9
Discount for lack of marketability (DLOM)	25.6%	24.1%	25.2%	25.1%

Based on the impairment assessment performed by us, the recoverable amount of investment in LianTong as of December 31, 2020, 2021, 2022 and September 30, 2023 was higher than the respective carrying amount of the investment, and our Directors considered that there was no impairment in the carrying values of our investments in LianTong.

Equity Method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize our share of the post-acquisition profits or losses of the investee in profit or loss, and our share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where our share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, we do not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between us and our associates and joint ventures are eliminated to the extent of our interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by us.

Financial Assets

We classify and measure our financial assets at fair value (either through other comprehensive income ("**OCI**"), or through profit or loss), or at amortized cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, the classification will depend on whether we have made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. We reclassify financial assets when and only when the entity's business model for managing those assets changes.

We recognize regular way purchases and sales of financial assets on trade-date, the date on which we commit to purchase or sell the asset. Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and either (i) we have transferred substantially all the risks and rewards of ownership or (ii) we neither transfer nor retain substantially all the risks and rewards of ownership nor have we retained control.

We initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Share-Based Payments

Share-based compensation benefits are provided to employees via shares granted by us and the employee option plan: (i) for shares granted by us to employees which vest immediately, on the grant date, the difference of the fair value of such shares and the exercise price is recognized as share-based compensation expense with a corresponding increase in equity, and (ii) the fair value of options granted under the employee option plan is recognized as an employee share-based compensation expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, including any market performance conditions, such as our share price, excluding the impact of any service and non-market performance vesting conditions, such as profitability, sales growth targets and remaining an employee of us over a specified time period, and including the impact of any non-vesting conditions, such as the requirement for employees to save or hold shares for a specific period of time.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, we revise our estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. We recognize the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognized for that award, as at the date of forfeiture, is treated as if it had never been recognized. At the same time, any expense previously recognized on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

Impairment of Non-Financial Assets

Goodwill and intangible assets that have an indefinite useful life is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. We assess the liquidity discount rates by referencing with expected terms, risk free rate and expected volatility. With the combined effect of these factors, the liquidity discounts kept at 30% throughout the Track Record Period, and the applied liquidity discount rates in impairment testing are in the average range of other financial industry and information technology industry throughout the Track Record Period. Impairment review on the goodwill has been conducted as of December 31, 2020, 2021, 2022 and September 30, 2023 according to IAS 36 "Impairment of assets". For the purpose of the impairment review, the recoverable amount of goodwill is determined based on fair value less costs of disposal. Based on the results of the impairment assessments, no impairment loss on the goodwill relating to Lianlian Yintong was recognized during the Track Record Period. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGU). A reasonably possible change in key parameters would not cause the carrying amount of the CGU to exceed its recoverable amount in accordance with IAS 36.134(f). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. For instance, license acquired in a business combination are recognized at fair value at the acquisition date. The Fund Transfer Operator License (No. 19/208/Ptk/6) issued by the Bank Indonesia for providing payment and data processing service in Indonesia has an indefinite life and are subsequently carried at cost without amortization, but is tested for impairment annually. For details on impairment testing for intangible assets, including an analysis on cash flow projection period, key parameters, sensitive analysis and headroom, see Note 16 to the Accountant's Report included in Appendix I to this Document.

RESULTS OF OPERATIONS

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

	Year ended December 31,			Nine months ended September 30,	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
				(unaudited)	
Revenue	588,502	643,644	742,748	532,350	736,690
Cost of sales	(210,251)	(204,400)	(276,779)	(190,974)	(310,308)
Gross profit	**378,251**	**439,244**	**465,969**	**341,376**	**426,382**
Selling and marketing expenses	(69,013)	(89,872)	(138,976)	(94,607)	(132,040)
General and administrative expenses	(289,990)	(263,138)	(258,314)	(188,208)	(310,541)
Research and development expenses	(124,053)	(174,235)	(210,401)	(153,220)	(188,575)
Other income	25,127	18,219	27,169	15,912	59,585
Other gains – net	57,604	4,260	15,440	6,748	21,283
Reversal of/(provision for) impairment on financial assets	2,468	(99)	(747)	(387)	(3,464)
Operating loss	**(19,606)**	**(65,621)**	**(99,860)**	**(72,386)**	**(127,370)**
Finance income/(cost) – net	9,180	22,442	4,238	5,492	(7,033)
Finance income	16,039	23,419	8,419	6,770	1,730
Finance costs	(6,859)	(977)	(4,181)	(1,278)	(8,763)
Share of net loss of associates accounted for using the equity method	(328,455)	(687,271)	(805,016)	(569,677)	(470,728)
Loss before income tax	**(338,881)**	**(730,450)**	**(900,638)**	**(636,571)**	**(605,131)**
Income tax expenses	(29,868)	(16,386)	(16,228)	(11,904)	(1,588)
Loss for the year/period	**(368,749)**	**(746,836)**	**(916,866)**	**(648,475)**	**(606,719)**
Owners of the Company	(368,159)	(746,586)	(916,540)	(648,108)	(608,056)
Non-controlling interests	(590)	(250)	(326)	(367)	1,337

NON-IFRS MEASURES

To supplement our consolidated financial statements presented in accordance with IFRS Accounting Standards, we use EBITDA and adjusted EBITDA ("**Non-IFRS measures**") for the years/periods as additional measures, which is not required by, nor presented in accordance with, IFRS Accounting Standards. We define EBITDA (Non-IFRS measure) as loss for the years/periods adjusted by adding back (i) income tax expenses, (ii) finance income/(cost) – net, and (iii) depreciation and amortization, which are non-cash in nature. We define adjusted EBITDA (Non-IFRS measure) as EBITDA (Non-IFRS measure) adjusted by adding back (i) one-off [**REDACTED**] expenses, which relate to the [**REDACTED**], and (ii) share-based compensation expenses, which are non-cash in nature. We have made such adjustments consistently during the Track Record Period complying with Chapter 3.11 of the Guide for New Listing Applicants issued by the Stock Exchange. We believe that Non-IFRS measures facilitate the comparisons of operating performance from period to period and company to company, and provide useful information to [**REDACTED**] and others in understanding and evaluating our operating performance in the same manner as it helps our management. However, our presentation of Non-IFRS measures for the years/periods may not be comparable to similarly titled measures presented by other companies. The use of Non-IFRS measures has limitations as an analytical tool, and [**REDACTED**] should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

The following tables reconcile Non-IFRS measures for the years/periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS Accounting Standards for the years/periods:

	Year ended December 31,			**Nine months ended September 30,**	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB in thousands)				
				(unaudited)	
Reconciliation					
Loss for the year/period	(368,749)	(746,836)	(916,866)	(648,475)	(606,719)
Add:					
Income tax expense	29,868	16,386	16,228	11,904	1,588
Finance (income)/cost – net	(9,180)	(22,442)	(4,238)	(5,492)	7,033
Depreciation of property, plant and equipment	18,834	12,057	13,909	10,195	10,265
Depreciation of right-of-use assets	9,447	7,620	8,726	6,220	6,512
Depreciation of investment properties	4,416	4,231	4,025	3,099	3,008

	Year ended December 31,			Nine months ended September 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB in thousands)				
				(unaudited)	
Amortization of intangible assets	1,646	2,501	3,510	2,603	2,816
EBITDA[(i)] (Non-IFRS measure)	**(313,718)**	**(726,483)**	**(874,706)**	**(619,946)**	**(575,497)**
Add:					
Share-based compensation expenses[(ii)]	110,972	69,802	52,278	39,209	112,813
[REDACTED] expense	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted EBITDA[(iii)] (Non-IFRS measure)	**(202,746)**	**(656,681)**	**(822,428)**	**(580,737)**	**(423,208)**

Notes:

(i) EBITDA (Non-IFRS measure) refers to loss for the years/periods adjusted by adding back (i) income tax expenses, (ii) finance income/(cost) – net, and (iii) depreciation and amortization, which are non-cash in nature.

(ii) Our share-based compensation expenses consists of share options granted under the equity-settled share option schemes and incentive shares or shares granted to our employees. Such expenses in any specific period are not expected to result in future cash payments.

(iii) Adjusted EBITDA (Non-IFRS measure) refers to EBITDA (Non-IFRS measure) adjusted by adding back (i) one-off [**REDACTED**] expenses, which relate to the [**REDACTED**], and (ii) share-based compensation expenses, which are non-cash in nature.

PATH TO PROFITABILITY

During the Track Record Period, we witnessed resilient growth in our business operations but were loss-making. We set forth our plans to profitability with discussions of key industry background and our historical performance in this section.

Industry Background

According to Frost & Sullivan, the digitalization trend in global commerce and development of digital infrastructure continue to shift traditional trade from offline to online and accelerate the digital penetration of cross-border payments between enterprises. This will prompt digital payment solution providers to actively develop innovative solutions to cater to growing customer demand. According to Frost & Sullivan, both the digital payment service market and value-added service market are expected to see great potential for future growth in the overall digital payment solution market. We ranked the first among the independent digital payment solution providers in China in terms of the TPV in 2022, with a market share of 9.1%. With our service portfolio and global layout, we are poised to take the opportunities to grow our business.

TPV is one of the key driving factors for digital payment services revenue. TPV of both the cross-border digital payment market and domestic digital payment market in China are expected to grow significantly. According to Frost & Sullivan, the TPV of the cross-border digital payment services market in China is expected to increase from RMB4.6 trillion in 2022 to RMB14.1 trillion in 2027, representing a CAGR of 25.2% from 2022 to 2027. The TPV for domestic digital payment services market in China is expected to increase from RMB176.6 trillion in 2022 to RMB339.5 trillion in 2027, representing a CAGR of 14.0% from 2022 to 2027. In addition, revenue of value-added services attributable to digital payment solution providers in China is expected to grow from RMB33.9 billion in 2022 to RMB88.3 billion in 2027, representing a CAGR of 21.1% from 2022 to 2027. Moreover, according to Frost & Sullivan, the bank card clearing market in China is also expected to grow as the market size of credit card transaction in China has shown a steady growth trend.

According to Frost & Sullivan, digital payment solutions typically require significant investment in the early stage, particularly in areas such as technology platform upgrade, risk and data compliance management, accumulation in industry insights for customers, acquiring and maintaining licenses and relevant qualifications, as well as establishing operational teams in various regions. According to Frost & Sullivan, it is anticipated that once a digital payment solution provider completes its initial strategic investments, it will be able to grow in business scale, accumulate industry advantages, drive incremental revenue, and provide itself with stable revenue and profit growth opportunities.

Our Historical Performance

During the Track Record Period, our strategic investments significantly progressed our operations, and we have developed a business model that features one-shop service portal with full suite of integrated solutions, and global coverage with strong synergies across various service offerings.

During the Track Record Period, we witnessed resilient growth in our business operations. Our TPV increased from RMB849.4 billion in 2020 to RMB1,153.0 billion in 2022, with a CAGR of 16.5% from 2020 to 2022, and further increased to RMB1,312.0 billion for the nine months ended September 30, 2023. Our total revenue increased from RMB588.5 million in 2020 to RMB742.7 million in 2022, with a CAGR of 12.3% from 2020 to 2022. Our total revenue increased at an accelerated growth rate of 38.4% period to period from RMB532.4 million for the nine months ended September 30, 2022 to RMB736.7 million for the nine months ended September 30, 2023. While experiencing rapid business growth, we have maintained gross profit margin of approximately 60% during the Track Record Period, demonstrating a healthy business model and the driving role of strategic investments in the company's medium and long-term growth.

Our operating losses during the Track Record Period reflected continuous strategic investments that require time to gradually translate into our long-term core competencies. Our strategic investments are primarily attributable to investments in the following areas:

(i) Innovative products and solutions aiming to enhance our technological capabilities and the stability of our business systems, thereby strengthening market competitiveness and expanding our customer base.

We achieved economies of scale and benefit from the accumulated product capabilities and industry insights evidenced by our improved operating efficiency this year. For the nine months ended September 30, 2022 and 2023, our research and development expenses as a percentage of revenue decreased from 28.8% to 25.6%, while our revenue increased by 38.4% for the same period;

(ii) Global expansion including obtaining local licenses and qualifications as well as setting up local operational teams, to enhance our global regulatory compliance framework and service capabilities.

For the nine months ended September 30, 2023, our revenue from overseas merchants and enterprises increased significantly with rapid expansion in Southeast Asia countries and across other parts of the world. For the same periods, our operating expenses including selling and marketing, research and development, and general and administrative expenses had moderate growth, with combined operating expenses excluding the impact from share-based compensation as a percentage of revenue decreased from 74.5% to 70.4% as compared to nine months ended September 30, 2022, which is driven by an enhanced know-hows and experience in digital payment services as well as economies of scale; and

(iii) Core talents, with a focus on retaining our top-notch professionals with extensive expertise and experience through share-based payments. We aim to build and maintain a high-quality team, enhance team stability, and ensure our long-term core competencies. During the Track Record Period, we invested a total of RMB345.9 million in share-based compensation and benefits. During the Track Record Period, employee benefits constituted a majority of our total costs and expenses. With operation and capital leverage accumulated, our revenue and TPV expansion rate have outpaced the growth rate of expenses of employee benefits. Our expenses arising out of employee benefits as a percentage of revenue decreased from 66.0% in 2020 to 61.8% in 2022. The same data remained stable at 62.8% for the nine months ended September 30, 2023. Excluding the impact from share-based payment, our expenses arising out of employee benefits as a percentage of revenue decreased from 54.9% for the nine months ended September 30, 2022 to 47.5% for the nine months ended September 30, 2023.

In addition, we also have share of net losses from an associate accounted for using the equity method, reflecting our shared loss in LianTong. We recorded RMB328.5 million, RMB687.3 million, RMB805.0 million, RMB569.7 million and RMB470.7 million of share of net loss of associates using the equity method in 2020, 2021, 2022 and for the nine months ended September 30, 2022 and 2023, respectively, representing 89.1%, 92.0%, 87.8%, 87.8% and 77.6% of our net losses for the respective years/periods.

Our adjusted EBITDA (Non-IFRS measure) amounted to a loss of RMB202.7 million, a loss of RMB656.7 million, a loss of RMB822.4 million, a loss of RMB580.7 million and a loss of RMB423.2 million in 2020, 2021, 2022 and for the nine months ended September 30, 2022 and 2023. The loss of RMB822.4 million in 2022 was primarily due to (i) an increase in employee benefits driven by an increase in the number of employees from 697 in 2020 to 1,007 in 2022 in line with our strategic planning for the ramp-up of our digital payment and business services; (ii) an increase in commission costs which accounted for 9.1% of revenue in 2022 as compared to 1.8% in 2021, in line with the rapid expansion of our business services such as digital marketing during the same period; and (iii) the impact of COVID-19 pandemic that adversely affected cross-border commerce, which, in turn, negatively affected the business operations of our customers. Notwithstanding to the above, our adjusted EBITDA (Non-IFRS measure) narrowed from a loss of approximately RMB580.7 million for the nine months ended September 30, 2022 to a loss of approximately RMB423.2 million for the nine months ended September 30, 2023, driven by our revenue growth as well as improved operational efficiency during the same period.

As a result, our net losses were RMB368.7 million, RMB746.8 million, RMB916.9 million, RMB648.5 million and RMB606.7 million in 2020, 2021, 2022 and for the nine months ended September 30, 2022 and 2023, respectively.

Our Path to Profitability

We plan to achieve profitability through the following ways:

(i) Increasing revenue scale through strategic positioning and creating value for our customers;

(ii) Maintaining a stable high gross profit margin through effective cost control and healthy business model;

(iii) Synergizing our products, technology, and license layout to continuously reduce marginal costs of new product development and business expansion; and

(iv) Assessing the operations of LianTong and improving economic benefits of our shareholders.

Increasing revenue scale through strategic positioning and creating value for our customers

According to Frost & Sullivan, a digital payment solution provider will be able to continuously grow its business scale, accumulate industry advantages, and drive value-added revenue following its initial strategic investments, which could provide it with stable income and profit growth. In the future, we plan to increase our revenue scale with below specific plans:

(i) Benefiting from our expertise in developing comprehensive digital payment solutions in the complex global business environment, further enhancing our market leadership and core competitiveness, and helping more Chinese cross-border merchants and enterprises reach the global market;

(ii) Leveraging synergies between our services and products to provide customers with more differentiated and comprehensive services, and to transform our customers of single product to customers of multiple products; and

(iii) Strengthening the depth and differentiation of our value-added services to enhance the breadth, depth, and frequency of customer usage, and to increase its proportion in our total revenue.

In particular, we have the following plans to increase our revenue by business segment:

- *Global payment*. We expect our global payment TPV to grow, driven by (i) expansion of our acquiring services and notably in Southeast Asia, the Middle East and South America from a relatively smaller scale, (ii) increase of our customer base in cross-border digital payment for enterprises, and (iii) growth of our cross-border digital payment for merchants. In addition, we expect TPV growth from: (i) further market penetration with increasing merchants and enterprises coverage, by collaborating with local governments and other partners on multiple cross-border e-commerce initiatives, and (ii) a slight increase in implied blended take rate (calculated as revenue divided by TPV) of global payments primarily due to (1) our differentiated cross-border digital payment offerings, and (2) expansion of high take rate services, such as acquiring. We believe we are able to improve our take rates with the continuous growth of China cross-border activities, our established positioning in the industry, and our product capabilities.

- *Domestic payment*. We expect our domestic payment TPV to expand with China's economic development and additional growth drivers from our pay-out services with focus on key accounts and new customer acquisition. We expect the implied blended take rate to hold under a more tightened competition environment.

- *Value-added services*. Our revenues from value-added services increased rapidly during the Track Record Period. We plan to launch additional customized solutions under account and e-wallet services and our digital marketing services, to further penetrate our customer base and continue to fuel the revenue growth, which is in turn driven by our differentiated product portfolio and accumulated industry insights.

Maintaining a stable high gross profit margin through effective cost control and healthy business model

Our ability to manage costs plays an important role in our business success and profitability. Our cost structure is affected by our service mix, and as our business scales up, our cost of sales as a percentage of revenue may vary in the short term. However, in the long term, we believe we will be able to maintain stable high gross margin, primarily due to the following reasons:

(i) Benefiting from our healthy business model, comprehensive product offerings, and global business partnership, we expect our digital payment services to maintain a consistently high gross profit and gross profit margin;

(ii) Our unique insights accumulated over the long term in different industries and customer categories as well as healthy relationships we have established with global business partners will position us advantageously in pricing most of our services, when we expand our value-added services. We believe such pricing advantages will enable us to manage our overall cost; and

(iii) Through prudent headcount management, we expect to optimize our operational efficiency. We started to streamline our middle-to-back-office teams based on their performance, and our total number of employees decreased from 1,007 as of December 31, 2022 to 896 as of September 30, 2023. We will regularly monitor the size of our middle-to-back-office teams, primarily consisting of teams that are not customer-facing, such as, among others, finance, customer support, general administrative and human resources, to maintain an adequate number of employees that is sufficient to support our overall business operations.

Synergizing our products, technology, and license layout to continuously reduce marginal costs of new product development and business expansion

Through our strategic investments and business development in the past, we have achieved an integrated product portfolio, strong technology capability, and a global license layout. Going forward, we would be able to reduce our marginal investment when we develop new products, acquire new customers, and enter into new markets:

(i) In terms of new product development, we have established a comprehensive product portfolio in digital payment services and value-added services. Our new product development can leverage an existing modular approach for rapid iteration and combination, significantly improving the efficiency in new product development and launch, without substantial incremental cost in R&D. For example, we have been focusing on customized payment solutions for vertical industries and have gained deep insights in sectors such as international trade, service industries and manufacturing. We expect to further penetrate and iterate products in these industry verticals at lower R&D and administrative expenses, entering the phase of reaping benefits from products and services. For the nine months ended September 30, 2023, our R&D expenses as a percentage of revenue decreased from 28.8% to 25.6% as compared to the nine months ended September 30, 2022, and our revenue increased by 38.4% during the same period. Going forward, we expect more scale effects to kick in with lower marginal cost for future product development and upgrades;

(ii) In terms of new customer expansion, based on our customer base and leadership, we can effectively cross sell and thus reduce the cost in acquiring new customers. Our strategic positioning has laid a solid foundation for our customer base. The number of our active cross-border merchants in China has increased from 421,885 in the 12 months ended December 31, 2020 to 1,102,604 for the 12 months ended September 30, 2023. The number of our active cross-border enterprises in China has increased from 11 for the 12 months ended December 31, 2020 to 4,249 for the 12 months ended September 30, 2023. The number of our active overseas merchants and enterprises has increased from 82 in the 12 months ended December 31, 2020 to 3,560 for the 12 months ended September 30, 2023. In particular, we witnessed a substantial growth in the number of active customers in 2023, primarily due to our partnership with new e-commerce platforms that enabled us to acquire new customers. As a result of the foregoing, the number of active Chinese cross-border merchants substantially increased from 826,466 for the 12 months ended September 30, 2022 to 1,102,604 for the 12 months ended September 30, 2023. Moreover, the number of new customers substantially increased from 532,662 for the nine months ended September 30, 2022 to 1,347,751 for the nine months ended September 30, 2023. For details, see "Summary – Key Operating and Financial Metrics."

Although that our selling and marketing expenses as a percentage of revenue increased from 11.7% in 2020 to 18.7% in 2022 and remained stable at 17.8% and 17.9% for the nine months ended September 30, 2022 and 2023, implying a relatively slower revenue growth compared to the growth of our selling and marketing expenses, these were primarily due to:

- A substantial increase in the number of sales and marketing personnel from 165 in 2020 to 350 in 2022, which contributed to a 4.6% increase in related employee benefits as a percentage of revenue. The expansion of sales and marketing personnel was under the strategic planning for product launches, promotion and overall branding, and was in line with our significant growth of digital payment and business services during the ramp-up period. With the current scale of digital payment and value-added services, the sales and marketing personnel was streamlined and lowered to 296 employees for higher operation efficiency as of September 30, 2023. Our selling and marketing expenses as a percentage of revenue remained relatively stable at 17.8% and 17.9% for the nine months ended September 30, 2022 and 2023, respectively; and

- Our revenue growth, on the other hand, was adversely affected by the pandemic and a corresponding slowdown of cross-border commerce activities during the Track Record Period. With the revival of cross-border commerce, we expect that the increase in active merchants and enterprises can better translate into faster pace of revenue growth. For instance, our revenue increased by 38.4% from RMB532.4 million for the nine months ended September 30, 2022, to RMB736.7 million for the nine months ended September 30, 2023, outpacing a CAGR of 12.3% for revenue from RMB588.5 million in 2020 to RMB742.7 million in 2022.

In addition, we are of the view that our customer acquisition effort is effective. Our average cost in acquiring new customers, as measured by total selling and marketing expenses per newly acquired customer decreased from RMB207 in 2020 to RMB188 in 2022, and further decreased to RMB98 for the nine months ended September 30, 2023. The significant decrease to RMB98 for the nine months ended September 30, 2023 was also driven by a significant increase in the number of acquired new customer post COVID-19 pandemic as the global commerce resumes. We believe the trend reflects our effective selling and marketing strategy built on our accumulated market influences. As we continue to expand customer reach and influence, and enjoy the economies of scale in global and domestic digital payment businesses, we expect to see improved efficiency in selling and marketing expenses in relation to industry penetration and product expansion, effectively saving our costs and expenses; and

(iii) In terms of new market expansion, our global license layout has enabled us to accumulate compliance and operational experience in different jurisdictions and cultivate an international management and operational team. The experience and track record in operating these licenses offered us a competitive edge in localized experience and enhanced compliance levels and process efficiency when expanding into new markets and applying for new licenses.

For the nine months ended September 30, 2023, the operating expenses, including selling and marketing, research and development and general and administrative expenses but excluding share-based compensation expenses, as a percentage of corresponding revenue decreased from 74.5 % to 70.4% as compared to the nine months ended September 30, 2022, while our TPV of digital payments services in relation to overseas merchants and enterprises increased from RMB 398.3 million to RMB 2,545.1 million during the same period, mainly driven by enhanced know-hows and experience in digital payment services as well as economies of scale. Given the overseas operation and capital investment made and the leverage accumulated, we expect to generate accelerated revenue growth from overseas markets especially in Southeast Asian countries at decreasing marginal operating costs.

While our operating expenses may continue to increase in absolute amount as our business scales up, they generally do not increase proportionally with our revenue due to economies of scale and improved operation efficiency. As evidenced by the decreasing general and administrative expenses as a percentage of revenue during the Track Record Period, the decreasing selling and marketing expenses per newly acquired customer during the Track Record Period, and the decreasing research and development expenses as a percentage of revenue from the nine months ended September 30, 2023, we believe the economics of scale has started to reflect in the improved operation efficiency and will have a long-term positive impact to our profitability.

Assessing the operations of LianTong and improving shareholder economic benefits of our Shareholders

As of the Latest Practicable Date, the Company and American Express hold 45.2% and 54.8% of the equity interest of LianTong, respectively. We will continue to monitor LianTong's business operations and assess our investments in this associate from time to time. We aim to enhance our economic benefits as a shareholder of LianTong, while preserving business synergies and long-term upside from the investment.

In terms of our consolidated financial results, we record the equity loss related to LianTong capped at the sum of net book value at the beginning of a financial period and the capital injection during the same period. In December 2023, the Company and American Express provided additional capital of RMB74.6 million and RMB625.4 million, respectively, to LianTong to support its operations. Following such capital contribution, we expect the net book value of LianTong to increase by the amount of such capital injection and we will record a one-off dilution gain of approximately RMB240.0 million from the subsequent change in shareholding. For 2024, we expect to continue recording share of net loss from LianTong.

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We generate our revenue primarily through two main sources, namely (i) digital payment services consisting of (a) global payment for Chinese cross-border merchants and enterprises, and overseas merchants and enterprises, and (b) domestic payment for domestic enterprises in China; and (ii) value-added services.

The following table sets forth a breakdown of our revenue for the periods indicated:

	Year ended December 31,						For the nine months ended September 30,			
	2020		2021		2022		2022		2023	
	(RMB in thousands, except for percentages)									
							(unaudited)			
Revenue										
Digital payment services	537,930	91.4%	588,003	91.3%	630,097	84.8%	456,533	85.8%	625,675	84.9%
Global payment[i]	378,111	64.2%	440,543	68.4%	478,622	64.4%	341,314	64.1%	484,127	65.7%
Domestic payment[ii]	159,819	27.2%	147,460	22.9%	151,475	20.4%	115,219	21.6%	141,548	19.2%
Value-added services	7,798	1.3%	21,810	3.4%	91,052	12.3%	59,085	11.1%	96,768	13.1%
Others[iii]	42,774	7.3%	33,831	5.3%	21,599	2.9%	16,732	3.1%	14,247	1.9%
Total	**588,502**	**100.0%**	**643,644**	**100.0%**	**742,748**	**100.0%**	**532,350**	**100.0%**	**736,690**	**100.0%**

Notes:

(i) Refer to payments that occur across borders or outside China.

(ii) Refer to payment transactions that occur in China.

(iii) In addition to our core business of offering digital solutions, we also operate certain other businesses, primarily including property rental and micro-loan and factoring services. For details, see "– Other Business."

Our reportable segments include (i) global payment, (ii) domestic payment, (iii) value-added services and (iv) others, which represent a small amount of revenue from other sources including rental income, interest income and factoring income. For more details of segment information, see Note 5(b) to the Accountant's Report included in Appendix I to this Document.

Digital Payment Services

The substantial majority of our revenue is generated from our digital payment services, including global payment and domestic payment. Revenue generated from our digital payment services increased from RMB537.9 million in 2020 to RMB588.0 million in 2021, and to RMB630.1 million in 2022, representing 91.4%, 91.3% and 84.8% of our total revenue in 2020, 2021 and 2022, respectively. Revenue generated from our digital payment services increased from RMB456.5 million for nine months ended September 30, 2022 to RMB625.7 million for nine months ended September 30, 2023, representing 85.8% and 84.9% of our total revenue in the same period, respectively. See "Business – Digital Payment Services."

Global Payment

Our revenue from global payment grew from RMB378.1 million in 2020 to RMB440.5 million in 2021, and to RMB478.6 million in 2022, with a CAGR of 12.5%, representing 64.2%, 68.4% and 64.4% of our total revenue in 2020, 2021 and 2022, respectively. Our revenue from global payment grew from RMB341.3 million for the nine months ended September 30, 2022 to RMB484.1 million for the nine months ended September 30, 2023, representing 64.1% and 65.7% of our total revenue for the same period, respectively.

We provide global payment services mainly including pay-in, pay-out and acquiring. We also provide fast multi-currency exchange service. A substantial majority of our global payment revenue comes from our customers based on a percentage of total payment volume from their transactions. To a lesser extent, we collect a fixed fee from our customers for the period stipulated under the customer agreement or charge customers a fixed fee on a per transaction basis.

Domestic Payment

Our domestic payment primarily include payment aggregation, acquiring, and pay-out. For payment aggregation, we provide the customized software solution that can be built into the base payment services provided by third-party payment companies. In some less common circumstances, we also provide pay-in services for domestic payment business. Our revenue from domestic payment were RMB159.8 million, RMB147.5 million and RMB151.5 million in 2020, 2021 and 2022, respectively, representing 27.2%, 22.9% and 20.4% of our total revenue in 2020, 2021 and 2022, respectively. Our revenue from domestic payment increased from RMB115.2 million to RMB141.5 million for the nine months ended September 30, 2022 and 2023, representing 21.6% and 19.2% of our total revenue for the same periods, respectively.

Value-Added Services

Our revenue from value-added services increased from RMB7.8 million in 2020 to RMB21.8 million in 2021, and to RMB91.1 million in 2022, with a CAGR of 241.7%, representing 1.3%, 3.4% and 12.3% of our total revenue in 2020, 2021 and 2022, respectively. Our revenue from valued-added services increased from RMB59.1 million for the nine months ended September 30, 2022 to RMB96.8 million for nine months ended September 30, 2023, representing 11.1% and 13.1% of our total revenue for same periods, respectively.

The following table sets forth a breakdown of our revenue generated from value-added services for the periods indicated:

	Year ended December 31			**Nine months ended September 30,**	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB in thousands, except percentages)			*(unaudited)*	
Business Services					
Digital marketing	–	3,760	53,580	30,152	79,081
Referral services and others	571	1,902	5,639	3,734	6,668
Technology Services					
Account and e-wallet	3,384	7,286	17,733	14,647	6,030
Software development	3,844	8,862	14,100	10,552	4,989
Total	**7,798**	**21,810**	**91,052**	**59,085**	**96,768**

We generate value-added services revenue from two main sources: (i) business services, primarily including digital marketing and referral service, and (ii) technology services, primarily including account and e-wallet and software development. Our digital marketing revenue includes fees that we charge our customers for our marketing solutions. Our referral service revenue mainly represents fees that we charge financial institutions for our referral services. We charge technology service fees for our technology services, see "Business – Technology Services." We recognize service fees for value-added services at a point or during a period of time.

Other Revenue

We also generate a small amount of revenue from other sources including (i) rental income from providing property rental services with respect to our self-owned properties, and (ii) interest and factoring income from providing micro-loan and factoring services which have been discontinued since May 2021. Our revenue from other sources amounted to RMB42.8

million, RMB33.8 million and RMB21.6 million in 2020, 2021 and 2022, respectively, representing 7.3%, 5.3% and 2.9% of our total revenue in 2020, 2021 and 2022, respectively. Our revenue from other source were RMB16.7 million and RMB14.2 million for the nine months ended September 30, 2022 and 2023, respectively, representing 3.1% and 1.9% of our total revenue for the same periods, respectively. Our revenue generated from micro-loan and factoring services amounted to RMB14.3 million and RMB7.4 million in 2020 and 2021. We discontinued such service line in May 2021 as the Interim Measures for the Administration of Online Micro-loan Business (Draft for Comment) (《網絡小額貸款業務管理暫行辦法(徵求意見稿)》) jointly issued by the PBOC and the CBIRC in November 2020 proposed to set a RMB5 billion registered capital threshold for micro-lenders that offer online across different regions. The Company made the commercial decision of not devoting such substantial amount of funds in micro-loan and factoring services, considering they are not the Company's core businesses.

Cost of Sales

The following table sets forth a breakdown of our cost of sales in absolute amounts and percentages of total revenue by business segment for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2020		2021		2022		2022		2023	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except for percentages)									
							(unaudited)			
Cost of sales by segment										
Digital payment services	185,795	31.6%	181,854	28.3%	210,395	28.3%	150,262	28.2%	233,561	31.7%
Global payment	63,835	10.8%	79,249	12.3%	102,904	13.9%	66,118	12.4%	130,037	17.7%
Domestic payment	121,960	20.7%	102,605	15.9%	107,491	14.5%	84,144	15.8%	103,524	14.1%
Value-added services	819	0.1%	4,065	0.6%	54,108	7.3%	30,880	5.8%	67,779	9.2%
Others	23,637	4.0%	18,481	2.9%	12,276	1.7%	9,832	1.9%	8,968	1.2%
Total	**210,251**	**35.7%**	**204,400**	**31.8%**	**276,779**	**37.3%**	**190,974**	**35.9%**	**310,308**	**42.1%**

In terms of segment, our cost of sales primarily consists of (i) global payment, (ii) domestic payment, (iii) value-added services and (iv) others. In 2020, 2021 and 2022, our cost of sales were RMB210.3 million, RMB204.4 million and RMB276.8 million, respectively. For the nine months ended September 30, 2022 and 2023, our cost of sales were RMB191.0 million and RMB310.3 million, respectively.

Our cost of sales for global payment were RMB63.8 million, RMB79.2 million and RMB102.9 million in 2020, 2021 and 2022, respectively. Our cost of sales for global payment were RMB66.1 million and RMB130.0 million for the nine months ended September 30, 2022 and 2023, respectively. Our cost of sales for domestic payment were RMB122.0 million, RMB102.6 million and RMB107.5 million in 2020, 2021 and 2022, respectively. Our cost of sales for domestic payment were RMB84.1 million and RMB103.5 million for the nine months ended September 30, 2022 and 2023, respectively.

The fluctuations of our cost of sales have been generally in line with change in our revenue during the Track Record Period.

The following table sets forth a breakdown of our cost of sales in absolute amounts and percentages of total revenue by nature for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2020		2021		2022		2022		2023	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except for percentages)									
							(unaudited)			
Cost of sales by nature										
Processing fees	163,540	27.8%	155,628	24.2%	162,821	21.9%	113,325	21.3%	173,372	23.5%
Commission costs	4,492	0.8%	11,854	1.8%	67,637	9.1%	43,609	8.2%	99,263	13.5%
Employee benefits	15,201	2.6%	14,883	2.3%	13,193	1.8%	8,645	1.6%	9,796	1.3%
Rental-related costs	8,719	1.5%	8,738	1.4%	9,182	1.2%	7,027	1.3%	6,351	0.9%
Taxes and surcharges	3,626	0.6%	4,982	0.8%	5,566	0.7%	4,145	0.8%	4,709	0.6%
Depreciation and amortization	3,495	0.6%	2,175	0.3%	3,759	0.5%	2,607	0.5%	2,656	0.4%
Others	11,178	1.9%	6,140	1.0%	14,621	2.0%	11,616	2.2%	14,161	1.9%
Total	**210,251**	**35.7%**	**204,400**	**31.8%**	**276,779**	**37.3%**	**190,974**	**35.9%**	**310,308**	**42.1%**

In terms of cost of sales by nature, processing fees was our largest cost component, which remained stable and accounted for 21.3% to 27.8% of our total revenue during the Track Record Period. Our commission costs increased from RMB11.9 million, or 1.8% of revenue, in 2021 to RMB67.6 million, or 9.1% of revenue, in 2022, and further increased to RMB99.3 million or 13.5% of revenue for the nine months ended September 30, 2023, mainly attributable to the significant growth of our digital marketing for the same periods.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit in absolute amounts and gross profit margins by business segments for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2020		2021		2022		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in thousands, except for percentages)						*(unaudited)*			
Digital payment services	352,135	65.5%	406,149	69.1%	419,702	66.6%	306,271	67.1%	392,114	62.7%
Global payment	314,276	83.1%	361,294	82.0%	375,718	78.5%	275,196	80.6%	354,090	73.1%
Domestic payment	37,859	23.7%	44,855	30.4%	43,984	29.0%	31,075	27.0%	38,024	26.9%
Value-added services	6,979	89.5%	17,745	81.4%	36,944	40.6%	28,205	47.7%	28,989	30.0%
Others	19,137	44.7%	15,350	45.4%	9,323	43.2%	6,900	41.2%	5,279	37.1%
Total	**378,251**	**64.3%**	**439,244**	**68.2%**	**465,969**	**62.7%**	**341,376**	**64.1%**	**426,382**	**57.9%**

Gross profit represents our revenue less our cost of sales. In 2020, 2021 and 2022, our gross profit were RMB378.3 million, RMB439.2 million and RMB466.0 million, respectively. Our gross profit were RMB341.4 million and RMB426.4 million for the nine months ended September 30, 2022 and 2023, respectively. The increase in gross profit in these periods was primarily driven by the growth of our overall business scale as well as the drivers set forth in "– Revenue."

Gross profit margin represents our gross profit as a percentage of our revenue. In 2020, 2021 and 2022, our gross profit margin were 64.3%, 68.2% and 62.7%, respectively. For the nine months ended September 30, 2022 and 2023, our gross profit margin were 64.1% and 57.9%, respectively. Gross profit margin for our global payment were 83.1%, 82.0% and 78.5% in 2020, 2021 and 2022, respectively, and gross profit margin for our domestic payment were 23.7%, 30.4% and 29.0% in 2020, 2021 and 2022, respectively. Gross profit margin for our global payment were 80.6% and 73.1% for the nine months ended September 30, 2022 and 2023, respectively, and gross profit margin for our domestic payment were 27.0% and 26.9% for the nine months ended September 30, 2022 and 2023, respectively. The difference in gross profit margin was mainly due to (i) the fact that we provide a more extensive service scope for global payment that includes services embedded with higher margins, such as commission from foreign exchange in overseas markets, and (ii) the structural difference of global payment and domestic payment by products as a result of market standards, business nature, and level of competition where commission cost as a percentage of TPV is generally higher for domestic payment than global payment. We incurred RMB50.3 million, RMB64.2 million, RMB83.1

million, RMB52.5 million and RMB110.5 million processing fees from global payment in 2020, 2021, 2022 and for the nine months ended September 30, 2022 and 2023, respectively; and RMB113.2 million, RMB91.4 million, RMB79.7 million, RMB60.8 million and RMB62.9 million from domestic payment in 2020, 2021, 2022 and for the nine months ended September 30, 2022 and 2023, respectively. The domestic processing fees as a percentage of domestic payment revenue were significantly higher than the global processing fees as a percentage of global payment revenue. In addition, we incurred RMB1.3 million, RMB3.9 million, RMB3.5 million, RMB2.3 million and RMB5.2 million for commission costs from global payment in 2020, 2021, 2022 and for the nine months ended September 30, 2022 and 2023, respectively; and RMB3.2 million, RMB5.3 million, RMB19.7 million, RMB17.6 million and RMB34.8 million from domestic payment in 2020, 2021, 2022 and for the nine months ended September 30, 2022 and 2023, respectively. The relatively higher cost contribution from processing fees for domestic payment was primarily attributable to significantly higher total payment volume (TPV) processed from domestic payment. The relatively higher cost contribution from commission cost for domestic payment was primarily attributable to the emerging sectors coverage for acquiring services and fees to channel partners for customer acquisition and referrals under pay-out services.

During the Track Record Period, gross profit contributed by our value-added services increased in absolute amount due to the rapid expansion of business services, including digital marketing. The gross profit margin decreased during the Track Record Period primarily due to the changes in service mix as business services with lower gross profit margin contributed a higher percentage of gross profit, compared to our technology services.

Selling and Marketing Expenses

The following table sets forth a breakdown of our selling and marketing expenses by nature, in absolute amounts and as percentages of total revenue, for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2020		2021		2022		2022		2023	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except for percentages)									
							(unaudited)			
Employee benefits	49,668	8.4%	61,046	9.5%	96,519	13.0%	67,925	12.8%	95,081	12.9%
Marketing and promotion expenses	12,041	2.0%	19,828	3.1%	29,611	4.0%	16,941	3.2%	21,891	3.0%
Others	7,304	1.2%	8,998	1.4%	12,846	1.7%	9,741	1.8%	15,068	2.0%
Total	**69,013**	**11.7%**	**89,872**	**14.0%**	**138,976**	**18.7%**	**94,607**	**17.8%**	**132,040**	**17.9%**

In 2020, 2021 and 2022, we incurred selling and marketing expenses of RMB69.0 million, RMB89.9 million and RMB139.0 million, representing 11.7%, 14.0% and 18.7% of our revenue, respectively. For the nine months ended September 30, 2022 and 2023, our selling and marketing expenses amounted to RMB94.6 million and RMB132.0 million, respectively. Our selling and marketing expenses primarily include employee benefits, marketing and promotion expenses and other expenses. Employee benefits remained the largest component of our selling and marketing expenses during the Track Record Period, accounting for 8.4%, 9.5%, 13.0%, 12.8% and 12.9% of our revenue, respectively. The increase in our employee benefits from RMB49.7 million in 2020 to RMB61.0 million in 2021, and to RMB96.5 million in 2022, and from RMB67.9 million for the nine months ended September 30, 2022 to RMB95.1 million for the nine months ended September 30, 2023 was the result of (i) the increase in average salaries and performance bonuses of our sales team and (ii) share-based compensation for key talents retention. Meanwhile, the change in selling and marketing expenses is also evidenced by changes in the number of employees performing sales and marketing functions, which amounted to 165, 202, 350 and 296 as of December 31, 2020, 2021, 2022 and September 30, 2023, respectively. The increase in our marketing and promotion expenses from RMB12.0 million in 2020 to RMB19.8 million in 2021, and to RMB29.6 million in 2022, and from RMB16.9 million for the nine months ended September 30, 2022 to RMB21.9 million for the nine months ended September 30, 2023 mainly reflected our increased efforts in the expansion of our digital payment solutions, and the growth is in line with our increasing TPV.

General and Administrative Expenses

The following table sets forth a breakdown of our general and administrative expenses by nature, in absolute amounts and as percentages of total revenue, for the periods indicated:

	Year ended December 31,						**Nine months ended September 30,**			
	2020		**2021**		**2022**		**2022**		**2023**	
	Amount	**% of revenue**	**Amount**	**% of revenue**	**Amount**	**% of revenue**	**Amount**	**% of revenue**	**Amount**	**% of revenue**
	(RMB in thousands, except for percentages)									
							(unaudited)			
Employee benefits	223,626	38.0%	191,630	29.8%	170,727	23.0%	123,241	23.2%	195,142	26.5%
Professional service expenses	22,340	3.8%	24,858	3.9%	31,372	4.2%	24,209	4.5%	31,049	4.2%
Depreciations	15,449	2.6%	11,730	1.8%	12,626	1.7%	8,972	1.7%	9,402	1.3%
Others	28,575	4.9%	34,920	5.4%	43,589	5.9%	31,786	6.0%	74,948	10.2%
Total	**289,990**	**49.3%**	**263,138**	**40.9%**	**258,314**	**34.8%**	**188,208**	**35.4%**	**310,541**	**42.2%**

In 2020, 2021, 2022 and for the nine months ended September 30, 2022 and 2023, we incurred general and administrative expenses of RMB290.0 million, RMB263.1 million, RMB258.3 million, RMB188.2 million and RMB310.5 million, respectively, representing 49.3%, 40.9%, 34.8%, 35.4% and 42.2%, respectively, of our revenue. Our general and administrative expenses mainly included (i) employee benefits, (ii) professional service expenses, (iii) depreciation of property, plant and equipment and right-of-use assets, as well as (iv) others including office and telecommunication expenses. Employee benefits remained the largest component of our general and administrative expenses during the Track Record Period, accounting for 38.0%, 29.8%, 23.0%, 23.2% and 26.5% of our revenue, respectively. The decrease of our employee benefits from RMB223.6 million in 2020 to RMB191.6 million in 2021, and to RMB170.7 million in 2022, was the result of a decrease in share-based compensation for our employees during the Track Record Period. The increase of our professional service expenses from RMB22.3 million in 2020 to RMB24.9 million in 2021, and to RMB31.4 million in 2022, reflected our increased professional service needs in technology collaborations, legal, audit and overseas business expansion. The increase in general and administrative expenses from RMB188.2 million for the nine months ended September 30, 2022 to RMB310.5 million for the nine months ended September 30, 2023, was primarily resulted from an increase in share-based compensation and [**REDACTED**] expenses.

Research and Development Expenses

The following table sets forth a breakdown of our R&D expenses by nature, in absolute amounts and as percentages of total revenue, for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2020		2021		2022		2022		2023	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except for percentages)						*(unaudited)*			
Employee benefits	100,171	17.0%	148,451	23.1%	178,273	24.0%	131,699	24.7%	162,476	22.1%
Depreciations	9,665	1.6%	6,125	1.0%	7,338	1.0%	5,644	1.1%	5,531	0.8%
Professional service expenses	5,174	0.9%	4,406	0.7%	3,234	0.4%	2,063	0.4%	2,385	0.3%
Others	9,043	1.5%	15,253	2.4%	21,556	2.9%	13,814	2.6%	18,183	2.5%
Total	**124,053**	**21.1%**	**174,235**	**27.1%**	**210,401**	**28.3%**	**153,220**	**28.8%**	**188,575**	**25.6%**

In 2020, 2021, 2022 and for the nine months ended September 30, 2022 and 2023, we incurred R&D expenses of RMB124.1 million, RMB174.2 million, RMB210.4 million, RMB153.2 million and RMB188.6 million, respectively, representing 21.1%, 27.1%, 28.3%, 28.8% and 25.6% of our revenue, respectively. Our R&D expenses primarily include employee benefits and depreciations of property, plant and equipment and right-of-use assets. Employee benefits remained the largest component of our R&D expenses during the Track Record Period, accounting for 17.0%, 23.1%, 24.0%, 24.7% and 22.1% of our revenue in 2020, 2021, 2022 and for the nine months ended September 30, 2022 and 2023, respectively. The increase of our employee benefits for R&D personnel from RMB100.2 million in 2020 to RMB148.5 million in 2021, and to RMB178.3 million in 2022 and from RMB131.7 million for the nine months ended September 30, 2022 to RMB162.5 million for the nine months ended September 30, 2023, was mainly driven by (i) the expansion of our R&D team from 2020 to 2022 reflecting our increased efforts and determination in R&D for enhanced technology capabilities and services upgrades and (ii) the increase in average employee benefits for R&D personnel.

Other Income and Other Gains – Net

The following table sets forth a breakdown of our other income and gains – net for the periods indicated, both in absolute amounts:

	Year ended December 31,			Nine months ended September 30,	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
				(unaudited)	
Other Income					
Interest income on customer accounts	12,329	10,530	21,761	12,225	56,777
Government grants *(i)*	11,626	6,754	4,134	2,839	1,560
Others	1,172	935	1,274	848	1,248
Subtotal	**25,127**	**18,219**	**27,169**	**15,912**	**59,585**
Other Gains/(losses) – net					
Foreign exchange (losses)/gains, net	(2,915)	(5,001)	22,869	24,548	18,215
Interest income on borrowing to related parties	2,437	3,363	4,538	609	6,247
Fair value gains/(losses) of financial assets at FVPL	54,641	754	(11,879)	(18,411)	(3,155)
Others	3,441	5,144	(88)	2	(24)
Subtotal	**57,604**	**4,260**	**15,440**	**6,748**	**21,283**
Total	**82,731**	**22,479**	**42,609**	**22,660**	**80,868**

Note:

(i) The amounts represent government grants-related income from local governments. These grants are recognized in the statement of comprehensive income upon receipt. There were no unfulfilled conditions or contingencies relating to such government grants.

In 2020, 2021 and 2022, we had other income and other gains – net of RMB82.7 million, RMB22.5 million and RMB42.6 million, respectively. For the nine months ended September 30, 2022 and 2023, we had other income and other gains – net of RMB22.7 million and RMB80.9 million, respectively.

Our other income and other gains – net primarily include interest income on customer accounts, and foreign exchange (losses)/gains, and fair value gains/(losses) of financial assets at FVPL. Our interest income on customer accounts decreased from RMB12.3 million in 2020 to RMB10.5 million in 2021, and increased to RMB21.8 million in 2022 due to the fluctuation of both customer accounts and interest rates. Our interest income on customer accounts further increased from RMB12.2 million for the nine months ended September 30, 2022 to RMB56.8 million for the nine months ended September 30, 2023. Foreign exchange (losses)/gains mainly resulted from fluctuation of exchange rate of Renminbi/US dollar. The facts that we had foreign exchange loss of RMB5.0 million in 2021 and foreign exchange gains of RMB22.9 million in 2022 primarily resulted from the transactions denominated in foreign currencies other than RMB, and the functional currency of certain subsidiaries of us at the dates of the transactions are US dollars. Fair value gains/(losses) of financial assets at FVPL is associated with our investments in two unlisted companies, namely Hangzhou Hyperchain Technology Co., Ltd. ("**Hyperchain Technology**") and Queen Bee Capital Co., Ltd. ("**QBC**"). We have no significant influence over both companies, and the investments are accounted for as financial assets at fair value through profit or loss.

During the Track Record Period, we also have other income and gains from interest income on borrowing to related parties and government grants, among others.

Finance Income/(Cost) – Net

Our finance income includes interest income on cash and cash equivalents. Our finance costs primarily include interest expenses on loans from related parties and interest expenses on lease liabilities. In 2020, 2021 and 2022, we had net finance income of RMB9.2 million, RMB22.4 million and RMB4.2 million, respectively. For the nine months ended September 30, 2022 and 2023, we had net finance income of RMB5.5 million and net finance cost of RMB7.0 million, respectively.

Share of Net Loss of Associates Accounted for Using the Equity Method

We recorded RMB328.5 million, RMB687.3 million and RMB805.0 million of share of net loss of associates using the equity method in 2020, 2021 and 2022, respectively. We recorded RMB569.7 million and RMB470.7 million of share of net loss of associates using the equity method for the nine months ended September 30, 2022 and 2023, respectively. We had such share of net loss as we recognize the loss of LianTong for the Track Record Period and Zhong Pu Lian Technology from February 2023 in our consolidated statements of comprehensive loss.

As of the Latest Practicable Date, we and American Express hold 45.2% and 54.8% of the equity interest of LianTong, respectively. Pursuant to the agreement between affiliates of American Express and us, we do not have control over LianTong's operation. Accordingly, LianTong was accounted for as an associate of us using the equity method during the Track Record Period.

We entered into a joint venture agreement to establish Zhong Pu Lian Technology in February 2023. We hold 30% of the equity interests and has significant influence over Zhong Pu Lian Technology through board representation. Accordingly, Zhong Pu Lian Technology was accounted for as an associate of the Group by using the equity method from February 2023.

Income Tax Expenses

In 2020, 2021, 2022 and for the nine months ended September 30, 2022 and 2023, we had income tax expenses of RMB29.9 million, RMB16.4 million, RMB16.2 million, RMB11.9 million and RMB1.6 million, respectively.

Loss for the Year/Period

As a result of the foregoing, we incurred losses of RMB368.7 million, RMB746.8 million and RMB916.9 million in 2020, 2021 and 2022, respectively, and we incurred losses of RMB648.5 million and RMB606.7 million for the nine months ended September 30, 2022 and 2023, respectively.

The following table sets forth our loss for the year/period indicated:

	Year ended December 31,			**Nine months ended September 30,**	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB in thousands)			*(unaudited)*	
Loss for the year/period attributable to:					
Owners of the Company	(368,159)	(746,586)	(916,540)	(648,108)	(608,056)
Non-controlling interests	(590)	(250)	(326)	(367)	1,337
Total	**(368,749)**	**(746,836)**	**(916,866)**	**(648,475)**	**(606,719)**

TAXATION

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which we are domiciled and operate.

PRC

Our subsidiaries established and operated in Mainland China are subject to the EIT on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the Enterprise Income Tax Law (the "**EIT Law**"). Pursuant to the EIT Law, our subsidiaries established in Mainland China are generally subject to EIT at the statutory rate of 25%.

Lianlian Yintong Electronic Payment Co., Ltd. ("**Lianlian Yintong**") obtained its High and New Technology Enterprises ("**HNTE**") status in 2014 and renewed the qualification in 2017 and 2020. Lianlian Yintong is entitled to a preferential EIT rate of 15% during the Track Record Period.

Lianlian (Hangzhou) Information Technology Co., Ltd. ("**Lianlian Hangzhou**") obtained its HNTE status in 2021. Lianlian Hangzhou is entitled to a preferential EIT of 15% in 2021, 2022 and for the nine months ended September 30, 2023.

Lianlian Bao (Hangzhou) Co., Ltd. obtained the High-Tech Enterprise qualification in 2021, renewed its qualification in 2022 and is expected to renew the qualification in 2023. It is entitled to a preferential EIT rate of 15% in 2021, 2022 and for the nine months ended September 30, 2023.

Hong Kong

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of our qualifying subsidiaries are taxed at a rate of 8.25%, and profits above HK$2 million are taxed at a rate of 16.5%. The profits of our subsidiaries that are not adopted for the two-tiered profits tax rates regime are taxed at a flat rate of 16.5%.

Cayman Islands and British Virgin Islands Corporate Income Tax

Under the current laws of the Cayman Islands and British Virgin Islands, the entities incorporated in the Cayman Islands and British Virgin Islands are not subject to tax on income or capital gain.

Other Countries

Income tax on profit arising from other jurisdictions, including the United States, European countries, Japan and Southeast Asian countries, among others, had been calculated on the estimated assessable profit for the year at the respective rates prevailing in the relevant jurisdictions, ranging from 12.5% to 34%.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

Revenue

Our revenue increased by 38.4% from RMB532.4 million for the nine months ended September 30, 2022 to RMB736.7 million for the nine months ended September 30, 2023, primarily attributable to (i) an increase of 41.8% in our global payment revenue from RMB341.3 million for the nine months ended September 30, 2022 to RMB484.1 million for the nine months ended September 30, 2023, driven by an expansion of customers for global payment services, especially cross-border enterprises, (ii) an increase of 22.9% in our domestic payment revenue from RMB115.2 million for the nine months ended September 30, 2022 to RMB141.5 million for the nine months ended September 30, 2023, driven by an expansion of TPV from domestic pay-out services, and (iii) an increase of 63.8% in our revenue from value-added services from RMB59.1 million for the nine months ended September 30, 2022 to RMB96.8 million for the nine months ended September 30, 2023, primarily driven by rapid expansion of business services, including digital marketing services.

Cost of Sales

Our cost of sales increased by 62.5% from RMB191.0 million for the nine months ended September 30, 2022 to RMB310.3 million for the nine months ended September 30, 2023, primarily attributable to (i) an increase of 96.7% in costs of sales for global payment from RMB66.1 million to RMB130.0 million due to the expansion of acquiring services and increased fees associated with card issuing institutions in virtual card services, and (ii) a significant increase of 119.5% in costs of sales for value-added services from RMB30.9 million to RMB67.8 million due to the rapid expansion of digital marketing with higher commission costs to channel partners for customer acquisition and referrals. The processing fees increased by 53.0% from RMB113.3 million to RMB173.4 million, which was in line with our business growth.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 24.9% from RMB341.4 million for the nine months ended September 30, 2022 to RMB426.4 million for the nine months ended September 30, 2023, primarily attributable to (i) an increase of 28.7% in gross profit from global payment from RMB275.2 million for the nine months ended September 30, 2022 to RMB354.1 million for the nine months ended September 30, 2023, and (ii) an increase of 22.4% in gross profit from domestic payment from RMB31.1 million for the nine months ended September 30, 2022 to RMB38.0 million for the nine months ended September 30, 2023.

Our gross profit margin decreased from 64.1% for the nine months ended September 30, 2022 to 57.9% for the nine months ended September 30, 2023, primarily due to (i) a decrease in global payment margin from 80.6% for the nine months ended September 30, 2022 to 73.1% for the nine months ended September 30, 2023, primarily reflecting the expansion of acquiring services with lower gross profit margin, and (ii) a decrease in value-added services margin from 47.7% for the nine months ended September 30, 2022 to 30.0% for the nine months ended September 30, 2023, reflecting the change in service mix, as a result of (1) significant growth of digital marketing with lower margin, and (2) a decrease in revenue from higher-margin technology services due to our strategic focus on business services.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 39.6% from RMB94.6 million for the nine months ended September 30, 2022 to RMB132.0 million for the nine months ended September 30, 2023, primarily due to increased share-based compensation under the [**REDACTED**] Share Option Schemes and enhanced promotion campaigns for customer acquisition and sector coverage to expand our businesses.

General and Administrative Expenses

Our general and administrative expenses increased by 65.0% from RMB188.2 million for the nine months ended September 30, 2022 to RMB310.5 million for the nine months ended September 30, 2023, primarily due to increased employee benefits under the [**REDACTED**] Share Option Schemes and [**REDACTED**] expenses.

Research and Development Expenses

Our R&D expenses increased by 23.1% from RMB153.2 million for the nine months ended September 30, 2022 to RMB188.6 million for the nine months ended September 30, 2023, in line with continued efforts in innovation and technology developments.

Other Income and Gains/(Losses) – Net

Our other income and gains/(losses) – net significantly increased by 256.9% from RMB22.7 million for the nine months ended September 30, 2022 to RMB80.9 million for the nine months ended September 30, 2023, primarily due to (i) a significant increase in interest income on customer accounts driven by our TPV growth and the interest rate hikes on multiple foreign currencies, and (ii) a decrease by 82.9% in fair value loss of financial assets at FVPL from RMB18.4 million for the nine months ended September 30, 2022 to RMB3.2 million for the nine months ended September 30, 2023; partially offset by a decrease in foreign exchange gain driven by the accounting of foreign exchange rate fluctuations.

Reversal of/(Provision for) Impairment on Financial Assets

Our impairment losses on financial assets refers to the credit loss assessment and movement in allowance for the impairment of (i) trade receivables, and (ii) other receivables. Our impairment losses on financial assets were RMB0.4 million for the nine months ended September 30, 2022 and RMB3.5 million for the nine months ended September 30, 2023, respectively, which was in line with the increase of our trade receivables.

Finance Income/(Cost) – Net

We recorded finance income – net of RMB5.5 million for the nine months ended September 30, 2022 and finance cost – net of RMB7.0 million for the nine months ended September 30, 2023, primarily due to increases in bank borrowings to support our business operations.

Share of Net Loss of Associates Using the Equity Method

Our share of net loss of associates using the equity method decreased from RMB569.7 million for the nine months ended September 30, 2022 to RMB470.7 million in the nine months ended September 30, 2023, primarily due to the narrowed loss of LianTong, which is in turn mainly due to an increase in LianTong's revenue reflecting its business growth in card issuance and transaction related services, and decreases in employee benefits and other fixed expenses.

Income Tax Expenses

Our income tax expenses significantly decreased by 86.7% from RMB11.9 million for the nine months ended September 30, 2022 to RMB1.6 million for the nine months ended September 30, 2023, primarily due to increased recognition of deferred income tax assets for EIT computation and the subsequent decrease in taxable income of profit-marking subsidiaries.

Loss for the Period

As a result of the foregoing, the recorded loss of the year narrowed by 6.4% from RMB648.5 million for the nine months ended September 30, 2022 to RMB606.7 million for the nine months ended September 30, 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our revenue increased by 15.4% from RMB643.6 million in 2021 to RMB742.7 million in 2022, primarily attributable to (i) an increase by 8.6% in our global payment revenue from RMB440.5 million to RMB478.6 million across Chinese cross-border merchants and enterprises, and overseas merchants and enterprises, (ii) an increase by 2.7% in domestic payment revenue from RMB147.5 million to RMB151.5 million reflecting our business growth in domestic pay-out and (iii) an increase by 317.5% in our revenue from value-added services from RMB21.8 million to RMB91.1 million during the same period, primarily due to growth contribution of digital marketing and account and e-wallet services.

Cost of Sales

Our cost of sales increased by 35.4% from RMB204.4 million in 2021 to RMB276.8 million in 2022, primarily attributable to (i) an increase by 29.8% in the cost of sales from our global payment from RMB79.2 million to RMB102.9 million, (ii) an increase by 4.8% in the cost of sales from our domestic payment from RMB102.6 million to RMB107.5 million, and such increases in both global and domestic payment are in line with our business growth, and (iii) a significant increase in the cost of sales from value-added services from RMB4.1 million to RMB54.1 million due to increase in commission costs from customer base expansion of digital marketing and account and e-wallet services.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 6.1% from RMB439.2 million in 2021 to RMB466.0 million in 2022, primarily attributable to (i) an increase by 4.0% in the gross profit from global payment from RMB361.3 million to RMB375.7 million and (ii) an increase by 108.2% in the gross profit from value-added services from RMB17.7 million to RMB36.9 million. Our gross profit margin decreased from 68.2% in 2021 to 62.7% in 2022, primarily due to (i) a slight decrease in global payment margin from 82.0% in 2021 to 78.5% in 2022 as a result of our explorations of integrated solutions and significant growth of acquiring business, which had much lower profit margin, (ii) our domestic payment margin remained stable, which was 30.4% in 2021 and 29.0% in 2022, and (iii) a significant decrease in value-added services margin from 81.4% in 2021 to 40.6% in 2022 as a result of (1) the change of our service mix, due to the growth of our digital marketing and (2) an increase in commission costs from enhanced customer acquisition.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 54.6% from RMB89.9 million in 2021 to RMB139.0 million in 2022, primarily due to an increased number of selling and marketing personnel and average employee benefit and performance bonus, which were in line with our business growth.

General and Administrative Expenses

Our general and administrative expenses decreased by 1.8% from RMB263.1 million in 2021 to RMB258.3 million in 2022, primarily due to a decrease in our employee benefits, reflecting a decrease in share-based compensation, partially offset by an increase in professional service expenses in line with our business growth.

Research and Development Expenses

Our R&D expenses increased by 20.8% from RMB174.2 million in 2021 to RMB210.4 million in 2022, primarily due to (i) an increased number of research and development personnel and increased average employee benefit and (ii) our efforts in innovative and new technology developments.

Other Income and Gains – Net

Our other income and gains – net increased by 89.6% from RMB22.5 million in 2021 to RMB42.6 million in 2022, primarily due to (i) an increase by 106.7% in the income from our interest income on customer accounts from RMB10.5 million to RMB21.8 million, reflecting an increase in our cash at customer accounts due to business growth and overall interest rate hikes of foreign currencies, and (ii) the fact that we had foreign exchange loss of RMB5.0 million in 2021 and foreign exchange gains of RMB22.9 million in 2022 from the accounting of the fluctuation of the Renminbi/US dollar exchange rate.

Reversal of/(Provision for) Impairment on Financial Assets

Our impairment losses on financial assets refers to the credit loss assessment and movement in allowance for the impairment of (i) trade receivables, (ii) other receivables and (iii) loan and factoring receivables. Our impairment losses on financial assets were RMB0.1 million in 2021 and RMB0.7 million in 2022, respectively, which was in line with the increase of our trade receivables.

Finance Income – Net

Our finance income – net decreased by 81.1% from RMB22.4 million in 2021 to RMB4.2 million in 2022, primarily due to a decrease by 64.1% in the financial income from our interests on decreased cash and cash equivalents.

Share of Net Loss of Associates Accounted for Using the Equity Method

Our share of net loss of associates using the equity method increased from RMB687.3 million in 2021 to RMB805.0 million in 2022, primarily due to the increased loss of LianTong during the same periods. LianTong's loss for the year increased from RMB1,374.5 million in 2021 to RMB1,610.0 million in 2022, primarily due to (i) a 15% to 25% increase in selling and marketing expenses, primarily as a result of increased (a) expenses in customer acquisition and channel collaboration, reflecting LianTong's efforts in acquiring additional customers by providing incentives to its issuers and acquirers, and (b) employee benefits of sales and marketing personnel, and (ii) a 20% to 25% increase in general and administrative expenses, primarily as a result of increased expenses in employee benefits of risk compliance, human resource, legal and finance departments, among others, reflecting LianTong's increased number of employees due to business expansion.

Income Tax Expenses

Our income tax expenses decreased by 1.0% from RMB16.4 million in 2021 to RMB16.2 million in 2022, primarily due to a decrease in taxable income of our profit-making subsidiaries.

Loss for the Year

As a result of the foregoing, the recorded loss of the year increased by 22.8% from RMB746.8 million in 2021 to RMB916.9 million in 2022.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 9.4% from RMB588.5 million in 2020 to RMB643.6 million in 2021, primarily attributable to (i) a 16.5% increase in global payment revenue from RMB378.1 million to RMB440.5 million, primarily due to an increase in global payment revenue from Chinese cross-border merchants and enterprises and overseas merchants and enterprises, and partially offset by a 7.7% decrease in domestic payment revenue from RMB159.8 million to RMB147.5 million, the decrease of which reflected our comprehensive adjustment of strategic focus with changes in product structure, and (ii) a 179.7% increase in our revenue from value-added services from RMB7.8 million to RMB21.8 million, primarily due to increased customer base of account and e-wallets and newly launched digital marketing services.

Cost of Sales

Our cost of sales decreased by 2.8% from RMB210.3 million in 2020 to RMB204.4 million in 2021, primarily due to a decrease by 15.9% in the cost of sales of our domestic payment from RMB122.0 million to RMB102.6 million, reflecting a decrease in processing fee rate due to our expansion of payment channel partners. Such decrease in cost of sales is partially offset by an increase by 24.1% in the cost of sales of our global payment from RMB63.8 million in 2020 to RMB79.2 million in 2021, which is in line with our increased TPV.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 16.1% from RMB378.3 million in 2020 to RMB439.2 million in 2021, primarily attributable to an increase by 15.0% in the gross profit from our global payment from RMB314.3 million to RMB361.3 million. Our gross profit margin increased from 64.3% in 2020 to 68.2% in 2021, primarily due to the increase in domestic payment margin from 23.7% in 2020 to 30.4% in 2021, reflecting our expanded partnership with payment channel partners to lower processing fees.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 30.2% from RMB69.0 million in 2020 to RMB89.9 million in 2021, primarily due to (i) increased average employee benefit and performance bonuses and (ii) an increase in marketing and promotion expenses, reflecting our enhanced marketing efforts.

General and Administrative Expenses

Our general and administrative expenses decreased by 9.3% from RMB290.0 million in 2020 to RMB263.1 million in 2021, primarily due to a decrease in employee benefits of RMB32.0 million, reflecting the decrease in our share-based compensation, partially offset by a mild increase in professional service expenses in line with our business growth.

Research and Development Expenses

Our research and development expenses increased by 40.5% from RMB124.1 million in 2020 to RMB174.2 million in 2021, primarily due to (i) an increased number of R&D personnel and increased average employment benefit and (ii) our efforts in innovative and new technology developments.

Other Income and Gains – Net

Our other income and gains – net decreased by 72.8% from RMB82.7 million in 2020 to RMB22.5 million in 2021, primarily due to a one-off gain in 2020 from the change in fair value of financial assets at FVPL of RMB54.6 million related to Hyperchain Technology. See Note 9 of the Accountant's Report included in Appendix I to this Document.

Reversal of/(Provision for) Impairment on Financial Assets

Our reversal of impairment losses on financial assets of RMB2.5 million in 2020 and impairment losses on financial assets of RMB0.1 million in 2021 were mainly related to our micro-loan and factoring services.

Finance Income – Net

Our finance income – net increased by 144.5% from RMB9.2 million in 2020 to RMB22.4 million in 2021, primarily due to an increase by 46.0% in the interest income on cash and cash equivalents from RMB16.0 million to RMB23.4 million.

Share of Net Loss of Associates Accounted for Using the Equity Method

Our share of net loss of associates using the equity method increased from RMB328.5 million in 2020 to RMB687.3 million in 2021, primarily due to the increased loss of LianTong during the same periods. LianTong's loss for the year increased from RMB656.9 million in

2020 to RMB1,374.5 million in 2021, primarily due to LianTong started its business operations officially from August 2020 and there were only four months of operational results in 2020, comparing to full year operations in 2021 and LianTong accumulated losses at the early stage of its operations.

Income Tax Expenses

Our income tax expenses decreased by 45.1% from RMB29.9 million in 2020 to RMB16.4 million in 2021, primarily due to a decrease in taxable income of our profit-making subsidiaries.

Loss for the Year

As a result of the foregoing, our loss for the year increased from RMB368.7 million in 2020 to RMB746.8 million in 2021.

CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,			As of September 30,
	2020	**2021**	**2022**	**2023**
	(RMB in thousands)			
Total non-current assets	581,512	878,035	673,144	628,950
Total current assets	8,642,731	7,597,046	9,472,870	9,581,018
Total assets	**9,224,243**	**8,475,081**	**10,146,014**	**10,209,968**
Total non-current liabilities	9,744	14,800	175,755	164,152
Total current liabilities	6,632,702	6,541,972	8,909,804	9,476,462
Total liabilities	**6,642,446**	**6,556,772**	**9,085,559**	**9,640,614**
Net assets	**2,581,797**	**1,918,309**	**1,060,455**	**569,354**
Non-controlling interests	941	820	2,064	3,914

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of September 30,	As of November 30,
	2020	2021	2022	2023	2023
	(RMB in thousands)				
					(Unaudited)
Current asset					
Prepayments, other receivables and other assets	181,215	33,813	340,230	59,017	66,510
Trade receivables	16,060	32,976	40,623	79,245	99,511
Financial assets at fair value through profit or loss	352,707	187,669	188,567	191,390	191,389
Loan and factoring receivables	156,997	–	–	–	–
Inventories	786	518	687	672	669
Customer accounts and restricted cash	6,634,490	6,470,610	8,757,259	9,108,472	11,719,458
Cash and cash equivalents	1,300,476	871,460	145,504	142,222	117,991
Total current asset	**8,642,731**	**7,597,046**	**9,472,870**	**9,581,018**	**12,195,528**
Current liabilities					
Trade payables	20,093	25,382	38,946	72,715	91,055
Contract liabilities	5,141	7,444	9,601	25,211	17,682
Income tax payables	11,703	2,812	4,611	5,980	8,602
Borrowings	–	–	105,279	205,521	205,424
Lease liabilities	6,225	10,130	9,071	7,500	6,973
Accruals and other payables	6,589,540	6,496,204	8,742,296	9,159,535	11,769,849
Total current liabilities	**6,632,702**	**6,541,972**	**8,909,804**	**9,476,462**	**12,099,585**
Net current asset	**2,010,029**	**1,055,074**	**563,066**	**104,556**	**95,943**

ANALYSIS OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily include prepayments to suppliers, prepaid [**REDACTED**] expenses, receivables for digital marketing services, loans to and receivables from related parties, and deposits for payment channels and rentals. We had prepayments, other receivables and other assets of RMB181.2 million, RMB33.8 million, RMB340.2 million and RMB59.0 million as of December 31, 2020, 2021, 2022 and September 30, 2023, respectively.

The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,			As of September 30,
	2020	**2021**	**2022**	**2023**
	(RMB in thousands)			
Prepayments				
Prepayments to suppliers	11,925	13,727	12,598	15,508
Others	1,878	2,378	3,829	5,258
Subtotal	**13,803**	**16,105**	**16,427**	**20,766**
Other current assets				
Prepaid [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Prepaid income tax	–	3,289	2,396	–
Value-added tax recoverable	3,674	5,743	5,492	3,620
Subtotal	**3,674**	**9,032**	**7,888**	**12,918**
Other receivables				
Advance paid on behalf of customers	–	–	–	8,711
Loans to and receivables from related parties	150,222	150	304,960	150
Deposits for payment channels and rentals	6,751	6,398	8,363	13,706
Interest receivable	3,132	372	1,388	1,052
Others	4,001	1,992	1,540	1,907

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Less: loss allowance	(368)	(236)	(336)	(193)
Subtotal	**163,738**	**8,676**	**315,915**	**25,333**
Total	**181,215**	**33,813**	**340,230**	**59,017**

As of November 30, 2023, RMB7.7 million of prepayments, other receivables and other assets, representing 13.1% of prepayments, other receivables and other assets as of September 30, 2023, were subsequently settled.

Trade Receivables

Our trade receivables primarily represent amounts due from customers for services performed in the ordinary course of business. As of December 31, 2020, 2021, 2022 and September 30, 2023, we had trade receivables of RMB16.1 million, RMB33.0 million, RMB40.6 million and RMB79.2 million, representing 0.2%, 0.4%, 0.4% and 0.8% of our total assets, respectively. We could deduct our fees directly from the transaction fund flows for most of our services. Our settlement period for other trade receivables generally ranges from one to three months. Therefore, trade receivables did not account for a material portion of our assets. Our trade receivables turnover days were 11.6 days, 13.9 days, 18.1 days, 26.0 days and 22.2 days in 2020, 2021, 2022 and for the nine months ended September 30, 2022 and 2023, respectively. The increase in trade receivables turnover days was mainly due to a change in our customer mix by engaging more commercial banks, which generally have a settlement period of one to three months. Adequate provisions were made with respect to such commercial banks after considering their overall business reputation and credit rating. The following table sets forth a breakdown of our trade receivables as of the dates indicated:

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Trade receivables	17,212	35,505	43,686	85,915
Less: loss allowance	(1,152)	(2,529)	(3,063)	(6,670)
Total	**16,060**	**32,976**	**40,623**	**79,245**

The following table sets forth an aging analysis of trade receivables:

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Aging				
0 to 90 days	15,100	32,105	30,694	69,288
91 to 180 days	1,213	2,368	5,885	9,509
181 days to 1 year	788	315	4,906	3,420
Over 1 years	111	717	2,201	3,698
	17,212	35,505	43,686	85,915
Less: loss allowance	(1,152)	(2,529)	(3,063)	(6,670)
Total	16,060	32,976	40,623	79,245

As of November 30, 2023, RMB41.8 million of trade receivables, representing 48.7% of trade receivables as of September 30, 2023, were subsequently settled. We could deduct the fees directly from the transaction fund flows for most of our services and our trade receivables are generally settled within one to three months. Nonetheless, provisions were also made for the trade receivables.

Financial Assets at Fair Value through Profit or Loss

As of December 31, 2020, 2021, 2022 and September 30, 2023, our financial assets at fair value through profit or loss was RMB451.9 million, RMB275.4 million, RMB271.1 million and RMB270.9 million, respectively. Our financial assets at fair value through profit or loss included current portion of RMB352.7 million, RMB187.7 million, RMB188.6 million and RMB191.4 million, and non-current portion of RMB99.2 million, RMB87.7 million and RMB82.6 million and RMB79.5 million, respectively, as of December 31, 2020, 2021, 2022 and September 30, 2023. Our financial assets at fair value through profit or loss during the Track Record Period represented our investments in (i) three unlisted companies, namely Hyperchain Technology, QBC and ContentBot, Inc., and (ii) wealth management products. As of September 30, 2023, all of our financial assets at fair value through profit or loss represented our investments in these three unlisted companies.

Our investments in wealth management products are denominated in RMB with expected returns of less than 5% per annum during the Track Record Period. The returns of these wealth management products were not guaranteed. Going forward, we may continue to invest in wealth management products and structured deposits. We plan to make investment decisions related to the purchase of such products on a case-by-case basis.

To monitor and control the investment risks associated with our investments in wealth management products and structured deposits, we have adopted a comprehensive set of internal policies and guidelines to manage our investments. Supervised by Mr. Xue Qiangjun, Executive Director, deputy general manager and financial director, who has been involving in financial management and investment activities for more than 20 years, our finance department proposes, analyzes and evaluates potential investments in financial assets based on recommendations of our relationship and account managers at reputable banks in China. Prior to making any material investments in wealth management products or modifying our existing investment portfolio, the proposal shall be approved by our financial director. Our investment strategy related to wealth management products focuses on minimizing the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns for the benefits of our Shareholders.

We primarily invest in wealth management products issued by state-owned or reputable national commercial banks in China with low risks and high liquidity. We make investment decisions related to wealth management products and structured deposits on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing banks, our own working capital conditions, and the expected profit or potential loss of the investment. After the [**REDACTED**], our investments in financial assets at fair value through profit or loss will be subject to compliance with Chapter 14 of the Listing Rules.

In relation to the valuation of the financial assets at fair value through profit or loss, we, together with the Reporting Accountant, have performed the following procedures:

(i) selected qualified persons with adequate knowledge and conducted valuation on the investments in unlisted companies and financial instruments without readily determinable fair value;

(ii) engaged a competent independent third-party valuer to appraise the fair value of certain investments that are significant;

(iii) reviewed and agreed on the valuation approaches adopted and key assumptions used based on the knowledge and understanding of the industrial data and development and the commercial strategies of the investee business; and

(iv) approved the results if the procedures were deemed satisfactory.

Based on the above processes, the Directors are of the view that the valuation analysis performed by us is fair and reasonable, and the fair value measurements of level 3 instruments are properly prepared.

Details of the fair value measurement of financial instruments, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value are disclosed in Note 3.3 of the Accountant's Report in Appendix I to this Document which was issued by the Reporting Accountant in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. The Reporting Accountant's opinion on the historical financial information, as a whole, of us for the Track Record Period is set out in Appendix I to this Document.

Treasury Management Policy

We have adopted a treasury and investment policy which sets out overall principles as well as detailed approval processes of our investment activities. Such activities include, among other things, wealth management product, short or long-term loans, investments in subsidiaries, joint ventures, and other equity investments.

Our Directors and senior management monitor our investments with caution. Our investments are strategically aligned with our development strategy and/or enhance our competitive strength. Our internal approval process depends on the type of investments. All investments are required to strictly follow the relevant laws and regulations. For short-term investments, which primarily include deposits, notes, stocks, bonds, and other investments with a term of generally less than one year, we will examine the viability of such short-term investment with a strict tiered approval process; at each period end, a comprehensive analysis on short-term investment needs to be conducted based on prudent financial and accounting policies in order to make adequate impairment provisions for any potential loss. Investment review will be conducted by the end of each investment. Long-term investments, which primarily include bonds, equities, and other investments with a term exceeding one year, we will access the necessity, feasibility, and benefit analysis by a strict tiered approval process. And after making each respective investment, we shall account for the underlying long-term investment based on applicable accounting policies and make adequate impairment provisions if necessary.

Our Shareholder meeting, Board and general manager are responsible for our treasury and investment management. Within their respective responsibilities, each of them can make or veto investment decisions. The general manager is responsible for overseeing investment analysis, research and execution. Our finance department manages funds and financial planning of the investments. Once an investment decision is made, our finance department will run the budget, fundraising, accounting, allocation and settlement procedures. Our plans of investments, detailing the time, amount, method, and responsible personnel are required to be reviewed and approved by the general manager, the Board, or Shareholders' meeting. Our investments are also audited by our internal audit department which reported to the Board in the annual internal audit report.

Cash

Cash and Cash Equivalents

The following table sets forth a breakdown of our cash and cash equivalents as of the dates indicated:

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Cash at bank	7,934,554	7,341,910	8,902,651	9,250,543
Cash on hand	412	160	112	151
Subtotal	**7,934,966**	**7,342,070**	**8,902,763**	**9,250,694**
Less: customer accounts and restricted cash	(6,634,490)	(6,470,610)	(8,757,259)	(9,108,472)
Total	**1,300,476**	**871,460**	**145,504**	**142,222**

We had cash and cash equivalents of RMB1,300.5 million, RMB871.5 million, RMB145.5 million and RMB142.2 million as of December 31, 2020, 2021, 2022 and September 30, 2023, respectively. Cash and cash equivalents represent the total of cash at bank and cash on hand, after deduction of customer accounts and restricted cash, which is separately discussed in "– Customer Accounts and Restricted Cash."

Customer Accounts and Restricted Cash

The following table sets forth a breakdown of our customer accounts and restricted cash as of the dates indicated:

	Year ended December 31,			As of September 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Customer accounts	6,613,202	6,457,315	8,739,240	9,100,686
Others	21,288	13,295	18,019	7,786
Total	**6,634,490**	**6,470,610**	**8,757,259**	**9,108,472**

We had customer accounts and restricted cash of RMB6,634.5 million, RMB6,470.6 million, RMB8,757.3 million and RMB9,108.5 million, respectively, as of December 31, 2020, 2021, 2022 and September 30, 2023, respectively. Customer accounts and restricted cash constitute a substantial majority of our assets during the Track Record Period, representing 71.9%, 76.3%, 86.3% and 89.2% of our total assets as of December 31, 2020, 2021, 2022 and September 30, 2023, respectively.

Customer accounts mainly represent customer funds collected and awaiting disbursement at request. Customer accounts are segregated from and not reported as part of our cash and cash equivalents as they represent other assets held by us on behalf of customers, and therefore are not available for our general use. We hold customer accounts as other assets; payables to merchants and other customers mainly represent the funds in customer deposit accounts which has not been transferred to customers due to the settlement cycle or the preferences of customers for periodic collection of funds. We hold payables to merchants as other payables. The difference between customer accounts and payables to merchants and other customers mainly represents service fees earned by us arising from digital payment services which has not been withdrawn by us. It also includes, to a lesser extent, deposits made by us to meet requests from customers seeking expedited settlements. Customer accounts slightly decreased from RMB6,613.2 million as of December 31, 2020 to RMB6,457.3 million as of December 31, 2021, increased to RMB8,739.2 million as of December 31, 2022 and further increased to RMB9,100.7 million as of September 30, 2023, primarily due to our revenue expansion and TPV growth during the Track Record Period. For instance, the TPV of digital payment services increased by 35.7% from RMB849.4 billion in 2020 to RMB1,153.0 billion in 2022 and further increased by 45.5% from RMB901.9 billion for the nine months ended September 30, 2022 to RMB1,312.0 billion for the nine months ended September 30, 2023. On top of the growth of TPV, customer accounts balance is also subject to the amount of disbursement requested by the merchants and enterprises, which may vary substantially based on the customers' operation needs and business environment.

Other restricted cash mainly includes performance guarantees for payment business. Performance guarantees for payment business mainly represent the amounts pledged to banks as collateral for issuance of letters of guarantee and other purpose relating to the global and domestic payment business.

Currency Distribution

A substantial portion of our cash and bank balances are held in Renminbi during the Track Record Period. We held multiple currencies for our businesses, primarily US dollar, Renminbi and Euro. During the Track Record Period, we generally held a growing number of foreign currencies, in particular US dollar and Euro, due to the growth of our business.

The following table sets forth our currency distribution for cash and bank balances and customer accounts, respectively, as of the dates indicated:

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Cash and bank balances				
RMB	1,282,462	831,304	50,516	48,868
USD	26,019	33,344	88,260	70,638
EUR	9,580	6,338	7,429	9,064
GBP	931	5,051	4,130	7,522
HKD	156	1,124	3,981	3,227
Others	2,616	7,594	9,207	10,689
Total	**1,321,764**	**884,755**	**163,523**	**150,008**
Customer accounts				
USD	2,624,169	3,160,101	4,173,489	2,890,032
RMB	2,471,728	1,412,770	1,927,044	3,919,210
EUR	602,458	970,516	1,185,024	870,946
GBP	480,200	429,869	517,785	364,537
JPY	185,439	190,741	267,748	371,913
CAD	117,335	133,461	198,932	147,765
Others	131,873	159,857	469,218	536,283
Total	**6,613,202**	**6,457,315**	**8,739,240**	**9,100,686**

Investments Accounted for Using the Equity Method

Our investments accounted for using the equity method primarily represent our investment in LianTong.

Our investments accounted for using the equity method were RMB97.9 million, RMB390.6 million, RMB205.6 million and RMB167.9 million as of December 31, 2020, 2021, 2022 and September 30, 2023, respectively.

Investment Properties

Our investment properties primarily consist of opening net book amount, transfer from/(to) right-of-use assets and property, plant and equipment, and depreciation of investment properties. We had investment properties of RMB194.3 million, RMB181.0 million, RMB169.1 million and RMB166.0 million as of December 31, 2020, 2021, 2022 and September 30, 2023, respectively.

The following table sets forth a breakdown of our investment properties as of the dates indicated:

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Opening net book amount	176,827	194,270	181,008	169,053
Transfer from/(to) right-of-use assets	608	(407)	(280)	–
Transfer from/(to) property, plant and equipment	21,251	(8,624)	(7,650)	–
Depreciation of investment properties	(4,416)	(4,231)	(4,025)	(3,008)
Closing net book value	**194,270**	**181,008**	**169,053**	**166,045**

Property, Plant and Equipment

The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of September 30,
	2020	**2021**	**2022**	**2023**
	(RMB in thousands)			
Buildings	107,515	110,101	112,064	107,489
Vehicles	601	1,082	1,549	1,258
Electronic equipment	9,807	16,424	16,015	11,791
Furniture and office equipment	1,444	693	2,952	2,536
Leasehold improvement	624	429	387	220
Total	**119,991**	**128,729**	**132,967**	**123,294**

Property, plant and equipment were RMB120.0 million, RMB128.7 million, RMB133.0 million and RMB123.3 million as of December 31, 2020, 2021, 2022 and September 30, 2023, respectively. Our property, plant and equipment primarily consists of buildings, vehicles, electronic equipment, furniture and office equipment, and leasehold improvement. Changes during the Track Record Period were mainly due to a portion of our buildings changed from investment properties for rental services to self-used properties, as well as an increase in equipment driven by our business growth.

Equity and Liabilities

Trade Payables

The following table sets forth a breakdown of our trade payables as of the dates indicated:

	As of December 31,			As of September 30,
	2020	**2021**	**2022**	**2023**
	(RMB in thousands)			
Commission cost payables	2,858	9,573	20,371	50,652
Payable for processing fees to financial institutions and payment networks	16,778	14,821	17,119	19,669
Others	457	988	1,456	2,394
Total	**20,093**	**25,382**	**38,946**	**72,715**

Our trade payables increased by 26.3% from RMB20.1 million as of December 31, 2020 to RMB25.4 million as of December 31, 2021, and further increased by 53.4% to RMB38.9 million as of December 31, 2022. Our trade payables increased by 86.7% from RMB38.9 million as of December 31, 2022 to RMB72.7 million as of September 30, 2023. Such increase was primarily due to our business growth, especially value-added services, that leads to increased commission cost payables for support of operations. Our trade payables primarily consist of commission cost payables and payables for processing fees to financial institutions and payment networks.

Our trade payables turnover days were 39.8 days, 40.6 days, 42.4 days, 57.4 days and 49.1 days in 2020, 2021, 2022 and for the nine months ended September 30, 2022 and 2023, respectively. The increase in trade payables turnover days was mainly due to engagement of third-party service providers to assist us in performing value-added services, with whom we generally have a longer settlement period for payment.

The following table sets forth an aging analysis of trade payables based on invoice date:

	As of December 31,			As of September 30,
	2020	**2021**	**2022**	**2023**
	(RMB in thousands)			
Aging				
0 to 90 days	9,655	15,337	26,643	59,381
91 to 180 days	2,276	1,877	3,522	4,558
181 days to 1 year	1,475	2,230	2,161	2,519
Over 1 years	6,687	5,938	6,620	6,257
Total	20,093	25,382	38,946	72,715

As of November 30, 2023, RMB37.4 million of trade payables, representing 51.4% of trade payables as of September 30, 2023, were subsequently settled.

Borrowings

As of September 30, 2023, we had bank borrowings of RMB353.4 million, among which RMB147.9 million were non-current and pledged by our investment properties, buildings and land use rights. As of September 30, 2023, the interest rate on such long-term borrowings was 4.1%, and such borrowings should be repaid semi-annually before September 20, 2037. As of September 30, 2023, we had short-term borrowings of RMB205.5 million. These borrowings are for general business operation purposes.

Accruals and Other Payables

The following table sets forth a breakdown of our accruals and other payables as of the dates indicated:

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Payables to merchants and other customers	6,496,092	6,374,118	8,637,922	9,016,084
Staff costs and welfare accruals	48,177	68,299	44,365	75,067
Payables for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
VAT payables and other tax payables	3,226	5,297	5,030	3,596
Payables for acquisition of long-term assets	2,780	5,924	1,854	360
Amounts due to related parties	82	542	263	468
Others	39,183	42,024	52,862	49,050
Total	**6,589,540**	**6,496,204**	**8,742,296**	**9,159,535**

We had accruals and other payables of RMB6,589.5 million, RMB6,496.2 million, RMB8,742.3 million and RMB9,159.5 million as of December 31, 2020, 2021, 2022 and September 30, 2023, respectively. Our accruals and other payables primarily include payables to merchants and other customers, and staff costs and welfare accruals. Our accruals and other payables constitute a substantial majority of our total equity and liabilities during the Track Record Period, representing 71.4%, 76.7%, 86.2% and 89.7% of our total assets as of December 31, 2020, 2021, 2022 and September 30, 2023, respectively. A substantial majority of our accruals and other payables were payables to merchants and other customers, which represent the funds in customer deposit accounts not been transferred to customers due to the settlement cycle or the preferences of customers for periodic collection of funds. A substantial majority of our contracts with merchants and other customers do not have settlement clearance period requirements. The rest generally have a settlement clearance period within two weeks. The fluctuations in our payables to merchants and other customers from RMB6,496.1 million in 2020 to RMB6,374.1 million in 2021, to RMB8,637.9 million in 2022 and to RMB9,016.1 million in September 30, 2023, was generally in line with our TPV growth. The turnover days of payables to merchants and other customers, calculated as the average of the opening and closing balances of payables to merchants and other customers divided by TPV for the same period and multiplied by 365 days or 273 days as applicable were 2.4 days, 2.4 days, 2.2 days and 1.8 days in 2021, 2022 and the nine month ended September 30, 2022 and 2023, respectively. The increase in other accruals and other payments from RMB39.2 million as of December 31, 2020 to RMB52.8 million as of December 31, 2022 was primarily attributable to increases in (i) payments of digital marketing due to an increase in marketing activities to support business expansion, (ii) accrued professional service fees due to IT infrastructure related accrued expenses and (iii) accrued office expenses due to normal course of our operations. Our amounts due to related parties are trade in nature and arise during the ordinary course of our business.

As of November 30, 2023, RMB31.5 million of accruals and other payables (except for payables to merchants and other customers), representing 22.0% of accruals and other payables as of September 30, 2023, were subsequently settled.

Other Reserves

We had other reserves of RMB1,926.7 million, RMB2,009.9 million, RMB2,067.3 million and RMB2,182.4 million as of December 31, 2020, 2021 and 2022 and September 30, 2023, respectively. Our other reserves primarily include capital contribution by shareholders and share-based compensation. A substantial portion of our other reserves was capital contribution by shareholders of RMB1,359.3 million, representing cash contributions by the [**REDACTED**] Investors and by our employee stock ownership plan in 2020.

We had share-based compensation of RMB111.0 million, RMB69.8 million, RMB52.3 million and RMB112.8 million in 2020, 2021, 2022 and the nine months ended September 30, 2023, respectively. We provided share-based incentives to qualified employees and recorded a one-time share-based expense in 2020. We also granted stock options to talented employees under the [**REDACTED**] Share Option Schemes and recognized expenses in 2021 and 2022.

LIQUIDITY AND CAPITAL RESOURCES

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

	Year ended December 31,			Nine months ended September 30,	
	2020	2021	2022	2022	2023
			(RMB in thousands)		
				(unaudited)	
Net cash (used in)/generated from operating activities	(59,187)	105,791	(33,337)	(42,437)	45,739
Net cash (used in)/generated from investing activities	(367,912)	(528,246)	(941,069)	(515,523)	(125,015)
Net cash generated from/(used in) financing activities	1,299,478	(6,258)	242,594	193,648	73,555
Net increase/(decrease) in cash and cash equivalents	872,379	(428,713)	(731,812)	(364,312)	(5,721)
Cash and cash equivalents at beginning of the year	429,883	1,300,476	871,460	871,460	145,504
Effects of exchange rate changes on cash and cash equivalents	(1,786)	(303)	5,856	4,077	2,439
Cash and cash equivalents at end of the year/period	**1,300,476**	**871,460**	**145,504**	**511,225**	**142,222**

During the Track Record Period and as of the Latest Practicable Date, our principal sources of liquidity have been cash received from [**REDACTED**] investors, cash generated from operating activities, and bank borrowings. Our primary uses of cash relate to investments into an associate.

Net Cash Flows (Used in)/Generated from Operating Activities

For the nine months ended September 30, 2023, our net cash generated from operating activities was RMB45.7 million, which was primarily attributable to our loss before income tax of RMB605.1 million, a majority of which are comprised of non-cash items, including (i) share of loss of investments accounted for using the equity method of RMB470.7 million, which resulted from our investment in LianTong and (ii) share-based compensation of RMB112.8 million; partially offset by changes in working capital of RMB43.0 million primarily reflecting the account movements of trade payables, other payables and accruals, and contract liabilities.

In 2022, our net cash used in operating activities was RMB33.3 million, which was primarily attributable to our loss before income tax of RMB900.6 million, as adjusted by noncash items, which primarily comprised (i) share of loss of investments accounted for using the equity method of RMB805.0 million, which resulted from our investment in LianTong and (ii) share compensation benefits of RMB52.3 million; partially offset by changes in working capital of RMB23.7 million, primarily reflecting the addition of trade payables, other payables and accruals, and contract liabilities and the deduction of cash in customer accounts.

In 2021, our net cash generated from operating activities was RMB105.8 million, which was primarily attributable to our loss before income tax of RMB730.5 million, adjusted for (i) share of loss of investments accounted for using the equity method of RMB687.3 million, which resulted from our investment in LianTong, (ii) share-based compensation expenses of RMB69.8 million and (iii) interests received of RMB35.8 million.

In 2020, our net cash used in operating activities was RMB59.2 million, which was primarily attributable to our loss before income tax of RMB338.9 million, adjusted for (i) share of loss of investments accounted for using the equity method of RMB328.5 million, which resulted from our investment in LianTong, (ii) share compensation benefits of RMB111.0 million and (iii) increased occupancy changes in working capital of RMB130.5 million, primarily due to our micro-loan and factoring services issued loan to our customers of RMB120.4 million.

Net Cash Flows (Used in)/Generated from Investing Activities

For the nine months ended September 30, 2023, our net cash used in investing activities was RMB125.0 million, primarily attributable to capital injection for LianTong of RMB433.0 million; partially offset by proceeds from repayment of loans from LianTong of RMB300.0 million.

In 2022, our net cash used in investing activities was RMB941.1 million, primarily attributable to (i) capital injection for LianTong of RMB620.0 million and (ii) loans to LianTong of RMB300.0 million.

In 2021, our net cash used in investing activities was RMB528.2 million, primarily attributable to (i) capital injection for LianTong of RMB980.0 million, (ii) proceeds from disposal of financial assets at fair value through profit and loss ("**FVPL**") of RMB879.4 million; partially offset by payments for financial assets at FVPL of RMB700.0 million, (iii) proceeds from repayment of loans to LianTong of RMB150.0 million and (iv) proceeds from disposal of two affiliate entities of RMB140.5 million.

In 2020, our net cash used in investing activities was RMB367.9 million, primarily attributable to (i) proceeds from disposal of financial assets at FVPL of RMB299.3 million, (ii) payment for acquisition of a subsidiary of RMB279.5 million in relation to our acquisition of two entities engaging in micro-loan and factoring services and (iii) loans to related parties of RMB152.7 million, primarily including loans to LianTong of RMB150.0 million.

Net Cash Generated from/(Used in) Financing Activities

For the nine months ended September 30, 2023, our net cash generated from financing activities was RMB73.6 million, primarily from proceeds from borrowings of RMB365.6 million; partially offset by repayment of borrowings of RMB275.3 million.

In 2022, our net cash generated from financing activities was RMB242.6 million, primarily from proceeds from borrowings of RMB259.4 million; partially offset by principal and interests of lease payments of RMB10.4 million.

In 2021, our net cash used in financing activities was RMB6.3 million, primarily due to principal and interests of lease payments of RMB6.6 million.

In 2020, our net cash generated from financing activities was RMB1,299.5 million, primarily from proceeds from capital contribution of RMB1,467.2 million; partially offset by repayment of loans to related parties of RMB143.1 million.

WORKING CAPITAL

Taking into account the financial resources available to us, including anticipated cash flow from our operating activities, existing cash and cash equivalents, available bank facilities and the estimated [**REDACTED**] from the [**REDACTED**], our Directors believe that we have sufficient working capital for our present requirements and for the next 12 months from the date of this Document.

We intend to finance our future working capital requirements and capital expenditures primarily from cash expected to be generated from operating activities, bank facilities and funds raised from financing activities, including the [**REDACTED**] we will receive from the [**REDACTED**].

INDEBTEDNESS

The following table sets forth the components of our indebtedness as of the dates indicated:

	As of December 31,			As of September 30,	As of November 30,
	2020	2021	2022	2023	2023
	(RMB in thousands)				
					(Unaudited)
Borrowings – current	–	–	105,279	205,521	205,424
Borrowings – non-current	–	–	158,950	147,900	147,900
Lease liabilities – current	6,225	10,130	9,071	7,500	6,973
Lease liabilities – non-current	9,356	11,811	4,896	3,080	2,251
Total	15,581	21,941	278,196	364,001	362,548

Our borrowings amounted to nil, nil, RMB264.2 million and RMB353.4 million as of December 31, 2020, 2021, 2022 and September 30, 2023, respectively. For the interest rate profile of our interest-bearing bank borrowings during the Track Record Period, see Note 29 to the Accountant's Report in Appendix I to this Document. As of December 31, 2022 and September 30, 2023, RMB223.2 million and RMB159.1 million of our borrowings were secured by our investment properties, buildings, land use rights and a financial guarantee issued by a domestic commercial bank, respectively. We had unsecured borrowings of RMB41.1 million and RMB194.3 million as of December 31, 2022 and September 30, 2023, respectively.

As of November 30, 2023, we had bank facilities of RMB593.8 million which remained unutilized.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

Our lease liabilities are measured at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease. Our lease liabilities amounted to RMB15.6 million, RMB21.9 million, RMB14.0 million and RMB10.6 million as of December 31, 2020, 2021, 2022 and September 30, 2023, respectively.

Except as discussed above, we had no outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of November 30, 2023, being our indebtedness statement date. After due and careful consideration, our Directors confirm that there had been no material adverse change in our indebtedness since November 30, 2023 and up to the Latest Practicable Date.

CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the periods indicated.

	Year ended December 31,			Nine months ended September 30,	
	2020	**2021**	**2022**	**2022**	**2023**
			(RMB in thousands)		
				(unaudited)	
Property, plant and equipment	6,939	18,022	11,986	11,616	669
Intangible assets	1,242	4,180	9,450	9,273	1,969
Total	**8,181**	**22,202**	**21,436**	**20,889**	**2,638**

Our capital expenditures in 2020, 2021, 2022 and for the nine months ended September 30, 2022 and 2023 were RMB8.2 million, RMB22.2 million, RMB21.4 million and RMB20.9 million and RMB2.6 million, respectively, primarily attributable to capital expenditures on (i) property, plant and equipment and (ii) intangible assets, primarily including computer software. We intend to fund our future capital expenditures and long-term investments with our existing cash balance, bank and other borrowings and [**REDACTED**] from the [**REDACTED**]. We may reallocate the funds to be utilized on capital expenditures and long-term investments based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS

Capital Commitments

The following table sets forth our significant capital commitments contracted for at the end of the Track Record Period but not recognized as liabilities:

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	(RMB in thousands)			
LianTong	1,544	370,000	430,000	–

In addition, we lease office buildings under non-cancellable operating leases. As of December 31, 2020, 2021, 2022 and September 30, 2023, our lease commitments for leases not yet commenced or short-term leases are as follows:

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Within 1 year	1,544	285	691	1,185

Details of our capital commitments have been sets forth in Note 34 to the Accountant's Report in Appendix I of this Document.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet commitments or arrangements.

CONTINGENT LIABILITIES

As of December 31, 2020, 2021, 2022 and September 30, 2023, we did not have any contingent liabilities. Our Directors confirm that there has been no material change in our contingent liabilities as of the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions was conducted in the ordinary course of business on an arm's-length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

In 2020, we provided the loan of RMB150.0 million to LianTong with a term of one year and an annual interest rate of 4.41%. Principal and interests of the loan were repaid in 2021. In June 2022, we provided the loan of RMB300.0 million to LianTong with a term of one year, and the annual interest rate is determined on the basis of the national interbank offered rate plus 1.83%. LianTong has repaid the principal and interest of the loan in May 2023, and therefore there is no recoverability issue for us.

As of December 31, 2020, 2021, 2022 and September 30, 2023, our outstanding balances with related parties of trade nature mainly include rendering of services and rent of properties. As of the same dates, our outstanding balances with related parties of non-trade nature mainly include amounts to be received from related parties, amounts to be paid to related parties, loans to related parties and borrowings from related parties. Our loans to related parties are non-trade in nature and were settled as of September 30, 2023, excepting for a clearance network deposit of RMB140 thousand with LianTong, which will not be settled prior to the [**REDACTED**]. Such non-trade balance does not affect our financial independence because the foregoing clearance network deposit was furnished to LianTong in order for us to provide certain services and will not be settled so long as we continue to provide such services. We categorize all of our other receivables, including the clearance network deposit to LianTong, as non-trade in nature. According to our PRC Legal Advisor, PRC laws and regulations do not prohibit us from providing loans to LianTong, and the interest rates of such loans are not incompliant. For details of our historical related party transactions, see Note 36 to the Accountant's Report included in Appendix I to this Document. Other than the above, we did not have any related party transactions during the Track Record Period.

KEY FINANCIAL RATIO

The following tables set forth our key financial ratios as of the dates or for the year/period indicated:

	As of December 31,			As of September 30,	
	2020	2021	2022	2022	2023
				(unaudited)	
Current ratio[(i)]	1.3	1.2	1.1	1.1	1.0

Note:

(i) Current ratio refers to total current assets divided by total current liabilities.

	For the year ended December 31,			For the nine months ended September 30,	
	2020	2021	2022	2022	2023
				(unaudited)	
Payable days[(i)]	39.8	40.6	42.4	57.4	49.1
Receivable days[(ii)]	11.6	13.9	18.1	26.0	22.2

Notes:

(i) Payable days refer to the average of trade payables divided by cost of sales and multiplied by 365 days or 273 days as applicable.

(ii) Receivable days refer to the average of trade receivables divided by total revenue and multiplied by 365 days or 273 days as applicable.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, or JLL, an independent property valuer, valued our investment property interests as of November 30, 2023 and is of the opinion that the aggregate value of our investment property interests as of such date was RMB270.4 million. The letter and summary disclosure of property valuation with regard to such property interests are set out in Appendix IV to this Document.

A reconciliation of the net book value of our investment properties as of December 31, 2022, as set out in the Accountant's Report in Appendix I to this Document, to their fair value as of November 30, 2023 as stated in the property valuation report set out in Appendix IV to this Document is set out below:

	(RMB in thousands)
Net book value of the investment properties as of December 31, 2022	**169,053**
Less: Depreciation	(3,710)
Net book value of the investment properties as of November 30, 2023 *(unaudited)*	165,343
Net valuation surplus	105,057
Market value of investment properties as of November 30, 2023 as set out in the property valuation report in Appendix IV to this Document	**270,400**

RISK DISCLOSURES

We are exposed to a variety of financial risks, including market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. Our overall risk management programs focus on the unpredictability of financial markets and seek to minimize potential adverse effects on our Group's financial performance.

Market Risk

Foreign Exchange Risk

Our subsidiaries outside the PRC are exposed to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the Company and its subsidiaries. As of December 31, 2020, 2021, 2022 and September 30, 2023, if the RMB strengthened/weakened by 5% against the USD with all other variables held constant, loss before income tax for the year would have been approximately RMB7.6 million higher/lower, RMB7.8 million higher/lower, RMB12.4 million higher/lower and RMB15.8 million higher/lower, respectively. If the USD strengthened/weakened by 5% against other currencies with all other variables held constant, loss before income tax for the year would have been approximately RMB29.0 thousand higher/lower, RMB36.0 thousand higher/lower, RMB94.0 thousand higher/lower and RMB1.3 million higher/lower, respectively.

For the foreign exchange risk derived from the future settlement of customer accounts from our global payment, which are reflected on the balance sheet as customer accounts and other payables at the end of the reporting period, we consider that the businesses in the PRC or overseas are not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of these subsidiaries denominated in the currencies other than the respective functional currency. For further details, see Note 3.1(a) to the Accountant's Report in Appendix I to this Document.

In addition, we may face foreign exchange risk arising from fluctuations in exchange rates within the interval between a customer initiates a foreign exchange transaction and our execution of the order with relevant banks and other financial institutions outside of China. In order to mitigate the potential risk, we leverage our platform with real-time reference quotations to implement the so-called "back-to-back" trading strategy to promptly execute the corresponding order to shorten such interval and accordingly avoid exchange rate fluctuation risks.

Cash Flow and Fair Value Interest Rate Risk

Our income and operating cash flows are substantially independent of changes in market interest rates. Our interest rate risk mainly arises from borrowings. Borrowings obtained at fixed rates expose us to fair value interest rate risk whereas those carried at floating rates expose us to cash flow interest rate risk. As of September 30, 2023, our borrowings were carried at fixed rates and floating rates, which exposed us to fair value interest rate risk and cash flow interest rate risk.

Management does not anticipate significant impact to interest-bearing assets and other liabilities resulting from the changes in interest rates. For further details, see Note 3 to the Accountant's Report in Appendix I to this Document.

Credit Risk

Credit risk mainly arises from cash and cash equivalents, customer accounts, and restricted cash, trade receivables, loans and advances to customers and other receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets.

We expect that there is no significant credit risk associated with cash and cash equivalents as well as customer accounts and restricted cash as they are deposited at state-owned banks or reputable commercial banks.

For further details, see Note 3.1(b) to the Accountant's Report in Appendix I to this Document.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents for our business development and expansion. Due to the dynamic nature of our businesses, our policy is to regularly monitor our liquidity risk and to maintain adequate cash and cash equivalents to meet our liquidity requirements. For further details, see Note 3.1(c) to the Accountant's Report in Appendix I to this Document.

DIVIDEND

No dividend has been declared or paid by us. The declaration and payment of any dividends in the future will be determined by our Board of Directors and subject to our Articles of Association and the PRC Company Law, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distributions. As confirmed by our PRC Legal Adviser, according to the PRC law, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

DISTRIBUTABLE RESERVES

As of September 30, 2023, we did not have any distributable reserves.

[REDACTED] EXPENSES INCURRED AND TO BE INCURRED

The total [**REDACTED**] expenses payable by our Company are estimated to be approximately HK$[**REDACTED**] (or approximately RMB[**REDACTED**]) assuming the [**REDACTED**] is not exercised and based on an [**REDACTED**] of HK$[**REDACTED**] (being the mid-point of our [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]), accounting for approximately [**REDACTED**]% of gross [**REDACTED**]. Among such estimated total [**REDACTED**] expenses, (i) [**REDACTED**] expenses, including [**REDACTED**] commission, are expected to be approximately RMB[**REDACTED**], and (ii) non-[**REDACTED**]-related expenses of approximately RMB[**REDACTED**], comprising (a) fees and expenses of legal advisors and Reporting Accountant of approximately RMB[59.3] million and (b) other fees and expenses of approximately RMB[24.2] million.

Among the total [**REDACTED**] expenses payable of RMB[**REDACTED**], RMB[**REDACTED**] is expected to be expensed through the statement of profit or loss and the remaining amount of RMB[**REDACTED**] is directly attributable to the issue of shares and deducted from equity. As of September 30, 2023, we have incurred [**REDACTED**] expenses of RMB[**REDACTED**] expensed through the statement of comprehensive loss and prepaid [**REDACTED**] expenses of RMB[**REDACTED**] directly attributable to the issue of shares and deducted from equity.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the Latest Practicable Date, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2022, the end of the period reported on the Accountant's Report included in Appendix I to this Document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.