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OVERVIEW

Who We Are

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 mid-sized 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 are one of the first digital technology companies in China to provide a wide range of payment solutions on a global scale, according to Frost & Sullivan. Being a non-bank payment institution, our integrated digital payment solutions include digital payment services and value-added services to merchants (businesses which primarily engage in retail business of transacting through e-commerce platforms with end-buyers) and enterprises (businesses which directly sell goods or provide services to end-buyers including companies and institutions). Categorized by functions, our digital payment services primarily include pay-in, pay-out, acquiring, foreign exchange, virtual card and payment aggregation. Our value-added services are mostly payment related and they include business services and technology services. With business services, we provide digital marketing, operation support and referral services. With technology services, we provide account and e-wallet and software development services.

Through developing and providing comprehensive solutions to merchants and enterprises in China and around the world, we have made deep inroads into global commerce across different industries. As of December 31, 2022, we had served accumulatively over 1.8 million merchants and enterprises globally from various industries, including e-commerce, service industries and manufacturing. Our total transaction payment volume (“TPV”) of digital

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payment services was RMB1,153.0 billion in 2022. As of September 30, 2023, the number of merchants and enterprises we served has increased to approximately 3.2 million accumulatively, with a total TPV of RMB1,312.0 billion for the nine months ended September 30, 2023.

Payment is a business sector regulated in all the jurisdictions we operate in. By setting up our operations in the key financial markets in the world and obtaining and maintaining local payment licenses, we have accumulated a wealth of experience, know-how and competencies in navigating the complex legal and regulatory environment for global commerce. This enables us to provide customers with solutions that are adapted for the regulatory requirements, supporting compliant, secure and reliable fund and information flow. 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 in places where we do not have payment licenses or qualifications, 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.

Our proprietary technology platform is the key to our business operation and success. This in-house built technology platform embeds stable, secure and flexible systems that cover payment, fund transfer, global fund distribution, FX processing, risk management, AML assessment and transaction authenticity verification. Furthermore, our technology platform integrates with major e-commerce platforms globally, as well as the internal operating and financial systems of our customers, providing one-stop comprehensive digital solutions to meet their business needs. As a digital technology company, we continue to drive business growth and solution evolution through the application of advanced technologies. We are exploring the application of blockchain technology to further develop our business. For instance, we have submitted an application for the virtual asset service provider (VASP) license to the Securities and Futures Commission of Hong Kong to establish a virtual asset trading platform in Hong Kong. By applying the VASP license, we can capitalize on blockchain technology to facilitate cross-border payments using virtual digital assets within a regulatory-compliant framework. Specifically, to improve payment efficiency, we leverage the immutable and tamper-proof nature of the blockchain distributed ledgers. This enables all parties involved in payment transactions to achieve real-time transaction completion and settlement, share a unified dataset to reduce settlement time and mitigate the risk of data inconsistencies. Furthermore, utilizing smart contract and encryption technology of blockchain technology allows for automatic execution of payment transactions based on predetermined conditions. As such, we can also streamline the payment process and enhance its automation and transparency, ultimately improving payment transaction efficiency and reducing costs. Once established, we would be able to serve more merchant and enterprise customers and improve the quality and safety of our services with the force of global blockchain technology.

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To serve our merchant and enterprise customers better and more effectively, we are dedicated to building a close partnership with the essential players in the e-commerce ecosystem, such as e-commerce platforms like Amazon, Shopee, Shopify and Shopyy, commercial banks, clearing institutions and third-party service providers. For this purpose, we strategically partner with affiliates of American Express Company (“**American Express**”) through the joint venture Express (Hangzhou) Technology Services Company Limited (“**LianTong**”), which was established in 2017. Pursuant to our agreement with affiliates of American Express, we will help LianTong to build its local network, infrastructure and systems as well as support it on regulatory communications; and American Express will bring its expertise, experience and resources to help LianTong to build its network, develop products, as well as support the operation of LianTong’s business, including in the area of technology. LianTong acts as the clearing and settlement institution in a four party model payment network, and the participants of such network include cardholder, issuing bank, merchant and acquirer. Network wise, we assisted LianTong in facilitating its collaborations with major commercial banks in China by leveraging our local operation experience and partnership resources. LianTong’s infrastructure investments primarily included clearing system, risk control and management platforms, IDC facilities and operation supporting system. We helped LianTong in the selection and initiation of its IDC facilities as well as its development of operational platforms. In terms of regulatory communications, we assisted LianTong in its local AIC business registration and bankcard clearing business license application, which required PBOC approval. American Express has helped LianTong establish operations protocols, enable connection of LianTong’s China network to American Express’s global network and develop American Express brand bankcard products in collaboration with issuing banks. LianTong was granted a bankcard clearing business license in June 2020, making it the first Sino-foreign joint venture bankcard clearing institution established in China, according to Frost & Sullivan. LianTong provides settlement, clearing and related activities for bank cards carrying “American Express” brands issued by card issuing banks in China, offering bankcard clearing and settlement services to issuing banks and merchant acquirers in its network as well as cardholder benefits to Chinese consumers both in China and globally.

Investment in the joint venture is a significant and strategic endeavor for Lianlian. We formed LianTong with affiliates of American Express with the primary purposes to (i) provide the best payment and payment-related services to our commercial customers and consumers across the globe, (ii) leverage China’s expansion of external opening of the financial sector and deepening of financial supply-side reform and (iii) provide diversified and differentiated payment services to financial consumers. We strategically invested in LianTong with a long-term goal, considering: (i) its bankcard clearing business license has significant strategic value and, as an important part of China’s financial infrastructure, is essential in the payment industry value chain, (ii) as the first Sino-foreign joint venture bankcard clearing institution granted license in China, it is positioned with great growth potential in transaction related services and card related services, (iii) we may increasingly grow business synergy with LianTong in developing LianTong’s local network, products and services, e-commerce user cases, economy of scale, and (iv) LianTong may leverage on the strength of American Express, especially in global network, products developments and operation support including those in the area of technology. We are confident that the businesses of LianTong will bring economic benefits to us and our shareholders in the long term once it comes out of the investment phase.

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Our Market Opportunities

The market size of global commerce is huge and has been growing steadily over the years. According to Frost & Sullivan, the total volume of global trades increased from US\$51.0 trillion in 2018 to US\$64.0 trillion in 2022, representing a CAGR of 5.8%. The cross-border e-commerce penetration rate globally was only 7.5% in 2022 and it is expected to reach 12.2% by 2027. Businesses engaging in cross-border e-commerce globally are affected by high barriers for account opening, expensive banking costs and lack of high-quality services, according to Frost & Sullivan. In addition, businesses are burdened with increasingly complex and evolving legal and regulatory requirements in different jurisdictions.

China is more advanced in export digitalization. In 2022, as compared with the cross-border e-commerce penetration rate globally of 7.5%, the cross-border e-commerce penetration rate in China was 14.3% and is expected to increase to 27.7% in 2027, according to Frost & Sullivan. The digitalization of the export market is increasingly linked to the digitalization of the domestic market in China. The market size of the digital payment services market in China in terms of the TPV of the cross-border and domestic digital payment services, is expected to increase from RMB181.2 trillion in 2022 to RMB353.6 trillion in 2027, representing a CAGR of 14.3% from 2022 to 2027, according to Frost & Sullivan. As the businesses of merchants and enterprise continue to expand, their demand for value-added services continues to increase. According to Frost & Sullivan, the revenue of value-added services, attributed to cross-border and domestic digital payment solution providers in China, is expected to increase from RMB33.9 billion in 2022 to RMB88.3 billion in 2027, representing a CAGR of 21.1% from 2022 to 2027.

Merchants and enterprises need long-term and committed digital payment solution providers when they participate in global commerce. According to Frost & Sullivan, there are two types of third-party payment solution providers in China, namely independent and non-independent digital payment solution providers. Independent digital payment solution providers are not owned or controlled by financial institutions, or not highly dependent on the businesses contributed by connected parties, such as large e-commerce platforms. Attributable to such neutrality, independent digital payment solution providers earn trust from their customers. According to Frost & Sullivan, we ranked first among all independent digital payment solution providers in China in terms of the TPV in 2022, with a market share of 9.1%. With our global business outreach, proprietary technology platform, insights into global commerce and deep roots in the Chinese market, we believe that our digital solutions can address the pain points and needs in the digital payment solution industry and we are best-positioned to spearhead the digital transformation for global commerce.

Our Value Proposition

Our value proposition to stakeholders in global commerce are:

- Enhance fund turnover and transaction transparency through our global payment network.
- Reduce commerce barriers and transaction costs and allow businesses to focus on core operations.

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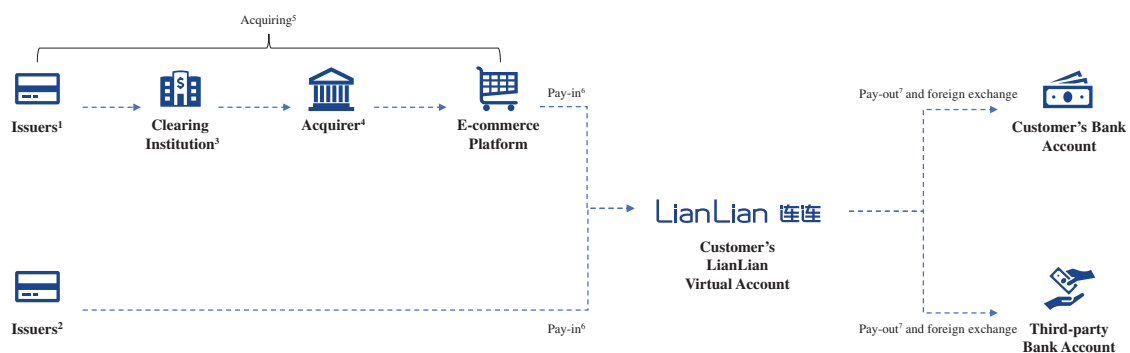
- Navigate global regulatory challenges for our customers.
- Offer effective access to global markets.
- Provide a secure, stable and reliable technology platform.
- Promote digital transformation and create more value and profits.

OUR BUSINESS MODEL

Our Services

Leveraging our global payment network built upon our global license layout, proprietary technology platform and extensive network of partners, we provide a wide range of digital payment services and value-added services to customers in China and around the world.

Categorized by geographical coverage, our digital payment services include global payment and domestic payment. For global payment, we primarily help merchants which sell their goods on global and regional e-commerce platforms to repatriate their funds. By assigning virtual accounts under Lianlian’s local bank accounts to the merchants, which typically face challenges of owning an overseas bank account for lack of local residence, we enable the merchants to receive funds locally from the e-commerce platforms and have their funds transmitted cross-border to their home country bank accounts. For convenience of understanding, we divide the fund flow into two phases, pay-in and pay-out. Pay-in refers to the process of fund collection, and pay-out refers to the process of fund distribution, typically by transferring funds to a customer’s home country bank account or to a third party for payment. See “– Key Application Scenarios” for further details and additional application scenarios of our services. The following diagram sets forth a typical transaction flow including our acquiring, pay-in, pay-out and foreign exchange services:



Notes:

1. Refer to consumers' (end-buyers) (i) issuing banks that issue cards to cardholders or paying banks or (ii) digital wallet issuers, such as Alipay and WeChat Pay, who open digital wallets linked to bank accounts for consumer.
2. Refer to enterprise's end-buyers' bank account opened with issuing banks/paying banks or digital wallet issuers.

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3. Clearing institutions primarily connect the issuing bank and acquirers to facilitate the settlement of transactions for both end-buyers and merchants. Clearing institutions can establish business rules and standards within the payment network, ensure compliance with transaction terms, and handle fund transfers. Clearing institutions enable the smooth and secure settlement of transactions by facilitating orderly settlement, managing risks, and providing a safety net in the event of default. The functions of clearing institutions primarily include establishment of standards and rules, transaction clearing, fund settlement and risk management.
4. Acquirers are entities that collaborate with merchants to enable them to accept payments. Acquirers provide the necessary infrastructure for merchants to process payment transactions, connecting them to the payment network, enabling acceptance of multiple payment methods, and offering essential services such as secure transaction processing and risk management. The functions of acquiring institutions primarily include payment access, transaction processing, risk management and fund settlement. Acquirers represent the benefits of merchants and serve the merchants. There is generally no overlap in terms of roles and functions of clearing institutions and acquirers.
5. Acquiring refers to Lianlian’s acquiring services, in which Lianlian helps customers collect funds from their end-buyers for online transactions by integrating different payment methods that customers use to receive payments from their end-buyers. Lianlian’s acquiring services save the customers’ burden of dealing with various payment methods and play the role of a gateway between the customers and banks or other financial institutions.
6. Refers to Lianlian’s pay-in services – the process of fund collection. A typical scenario of pay-in in Lianlian’s global payment business where e-commerce platform is involved is that Lianlian assigns virtual accounts under Lianlian’s accounts to its merchants, which enables the merchants to receive funds locally from the e-commerce platforms.
7. Refers to Lianlian’s pay-out services – the process of fund distribution. A typical scenario of pay-out in Lianlian’s global payment business is that Lianlian helps customers transfer funds from the virtual account assigned to a customer under Lianlian’s account to a customer’s home country bank account or to a third party bank account for payment.

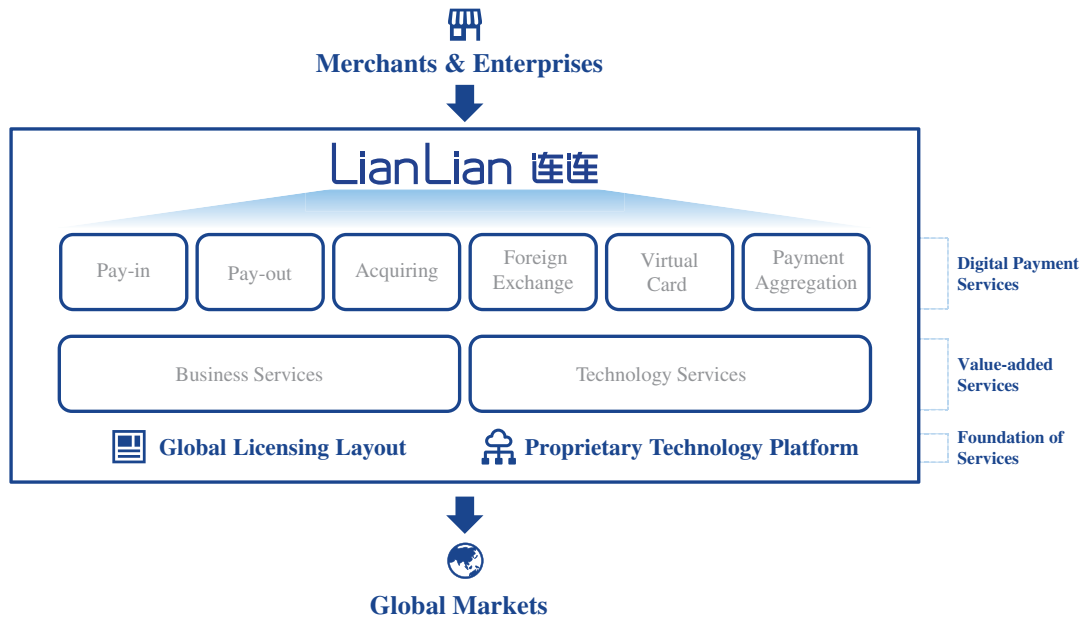
For domestic payment, we act primarily as a payment service provider to help our enterprise customers to streamline their fund collection process and reduce operational costs by offering enterprise customers a digital platform, which consolidates payment information from various online and offline payment methods initiated by end-buyers when purchasing goods. Our services ultimately facilitate the completion of the payment process. By integrating different payment methods that our customers use to receive payments from their end-buyers, we save our customers the administrative burden of having to deal with various payment methods and play the role of a gateway between the merchants and banks or other financial institutions. The service we provide in this payment process is primarily acquiring. See “Glossary and Conventions” for the definitions of pay-in, pay-out, foreign exchange and acquiring.

Categorized by function, our services include digital payment services and value-added services. Besides pay-in, pay-out, acquiring and foreign exchange, our digital payment services also include virtual card and payment aggregation. Our value-added services include business services and technology services. With business services, we provide digital marketing, operation support (such as setting up stores on e-commerce platforms and arranging shipment) and referral services. With technology services, we provide account and e-wallet services and software development services.

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For our digital payment services, we primarily generate revenue from collecting service fees based on a certain percentage of the TPV and/or charging customers a fixed service fee per transaction. For our value-added services, we primarily generate revenue from collecting service fees based on TPV and/or the service scope.

The following diagram sets forth a collection of our payment and related services:



Key Application Scenarios

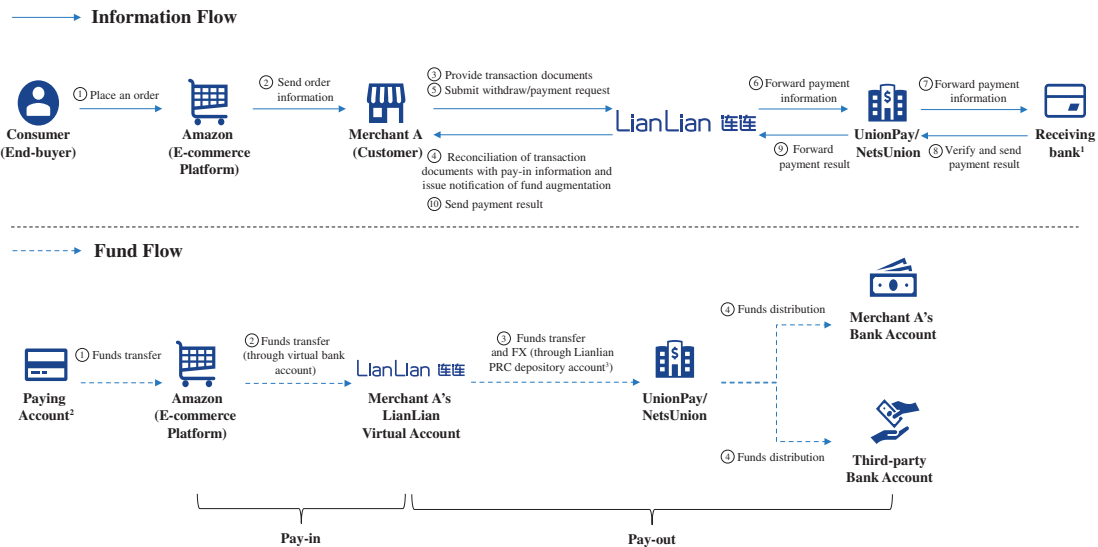
The following paragraphs and flow diagrams set forth typical scenarios of our services based on significance of TPV contribution during the Track Record Period. These scenarios correspond to the four types of customers we serve as discussed under “– Our Solutions – Overview”, namely Chinese cross-border merchants (scenarios 1-2), Chinese cross-border enterprises (scenario 3), overseas merchants and enterprises (scenario 4) and domestic enterprises (scenario 5). Categorized by geographical coverage, scenarios 1-4 represent our global payment businesses and scenario 5 represents our domestic payment business.

Scenario 1 – for Chinese cross-border merchants: the Company provides pay-in and pay-out services

Merchant A is a Chinese merchant that sells goods through a shop set up on the cross-border e-commerce platform Amazon. When an end-buyer places order for Merchant A’s products on Amazon, we help Merchant A to collect US dollar funds from Amazon through a virtual account that we provide to Merchant A, transmit the funds cross-border to Hong Kong to Merchant A’s virtual account under our Hong Kong bank account (pay-in service), exchange the funds from US dollar or other local currency to RMB (foreign exchange service) and transfer the converted funds back to Merchant A’s mainland China bank account (pay-out service). Merchant A also utilizes its funds at the virtual account to pay third-party advertisement and logistics services (pay-out service).

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As indicated in the following fund flow diagram, the process of fund collection from e-commerce platform Amazon to Merchant A’s virtual account at the Company is where we provide pay-in service. The process of funds transfer from Merchant A’s virtual account to UnionPay/NetsUnion, and further distribute to Merchant A’s bank account or third-party bank account is where we provide pay-out service. The following diagrams illustrate the information flow, fund flow, roles and functions of each of the key parties involved in this scenario in further details:



Notes:

1. Refer to Merchant A’s bank account or third-party bank account opened with issuing banks or digital wallet issuers, such as Alipay and WeChat Pay.
2. Refer to consumer’s bank account opened with issuing banks or digital wallet issuers.
3. Refer to central deposit and management reserve account with the PBOC or depository account opened by Lianlian with the depository banks designated by the PBOC.

TPV contribution from circumstances where we provide pay-in and pay-out services for Chinese cross-border merchants represented 96.4%, 93.5%, 86.8% and 77.8% of our total TPV of global payment services in 2020, 2021, 2022 and for the nine months ended September 30, 2023, respectively.

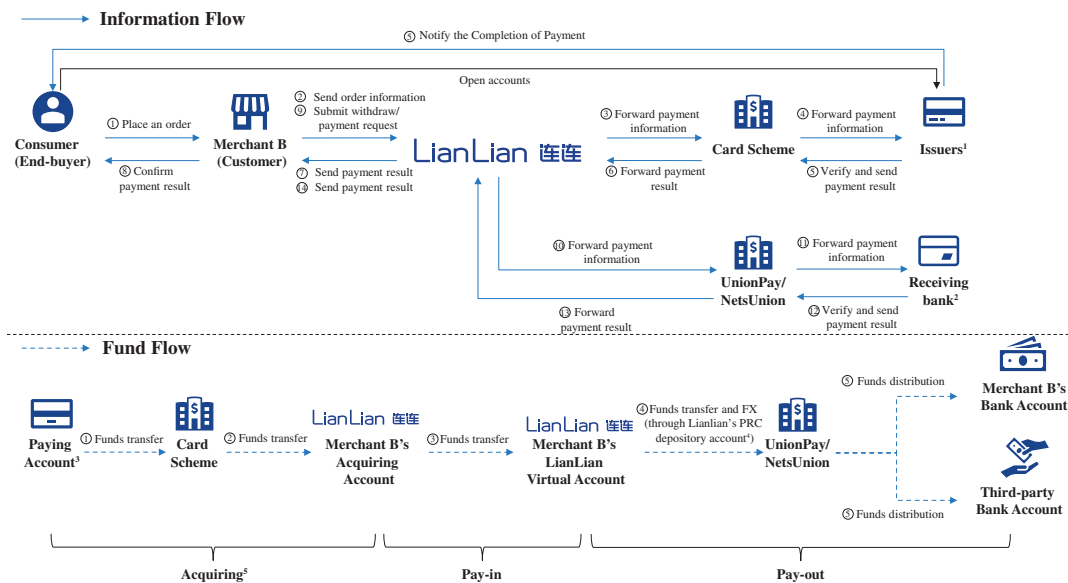
Scenario 2 – for Chinese cross-border merchants (independent site sellers): the Company provides acquiring, pay-in and pay-out services

Merchant B is a Chinese merchant that conducts cross-border e-commerce business with a store at Shopify, an independent site platform. When an end-buyer places order for Merchant B’s products on Merchant B’s website established through the Shopify platform, we help Merchant B to offer mainstream payment methods including international credit cards, local payments, bank card payments, and e-wallets and receive money from its end-buyers to its acquiring account at the Company (acquiring service) and transfer funds from its acquiring

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account to the virtual account at the Company (pay-in service), exchange foreign currency funds to RMB (foreign exchange service) and transfer RMB back to Merchant B’s mainland China bank account (pay-out service). Merchant B also utilizes its funds at the virtual account to pay third-party advertisement and logistics services (pay-out service).

As indicated in the following fund flow diagram, the process of funds transfer from end-buyer’s paying account to the card scheme and further to Merchant B’s acquiring account at the Company is where we provide acquiring service. The process of funds transfer from Merchant B’s acquiring account to its virtual account at the Company is where we provide pay-in service. The process of funds transfer from Merchant B’s virtual account to UnionPay/NetsUnion, and further distribute to Merchant B’s bank account or third-party bank account is where we provide pay-out service. The following diagrams illustrate the information flow, fund flow, roles and functions of each of the key parties involved in this scenario in further details:



Notes:

1. Issuers refer to (i) issuing banks that issue cards to cardholders or (ii) digital wallet issuers, such as Alipay and WeChat Pay.
2. Refer to Merchant B’s bank account or third-party bank account opened with issuing banks or digital wallet issuers.
3. Refer to end-buyer’s bank account opened with issuing banks or digital wallet issuers.
4. Refer to central deposit and management reserve account with the PBOC or depository account opened by Lianlian with the depository banks designated by the PBOC.
5. The Company collaborates with locally qualified financial institutions to provide acquiring services in countries and regions where it is not qualified to do so.

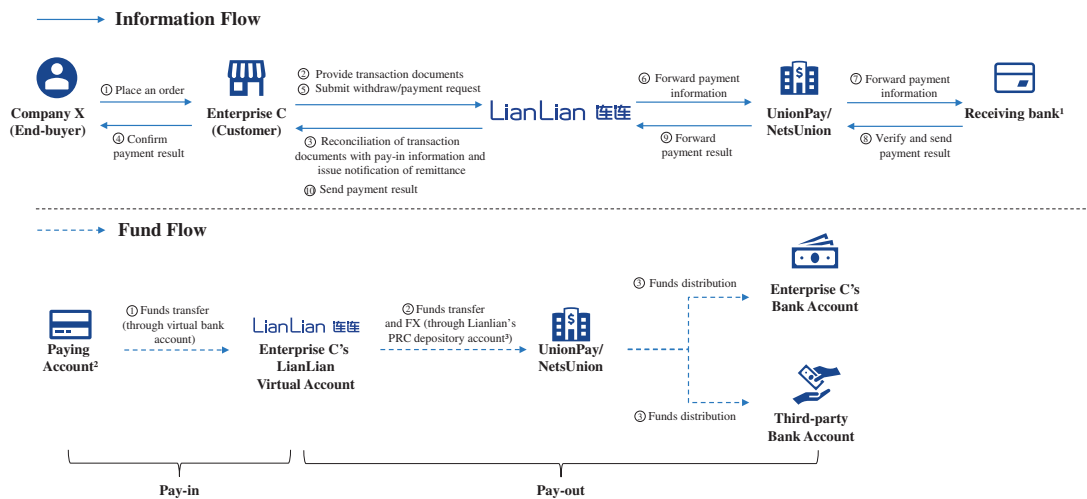
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TPV contribution from circumstances where we provide acquiring, pay-in and pay-out services for Chinese cross-border merchants represented nil, 0.1%, 0.3% and 0.9% of our total TPV of global payment services in 2020, 2021, 2022 and for the nine months ended September 30, 2023, respectively.

Scenario 3 – for Chinese cross-border enterprises: the Company provides pay-in and pay-out services

Enterprise C is a Chinese enterprise that conducts international trade. When Company X (end-buyer) purchases Enterprise C’s products, we help Enterprise C to collect foreign currency funds from its end-buyer through a virtual account, transmit the funds cross-border to Hong Kong to Enterprise C’s virtual account under our Hong Kong bank account (pay-in service), exchange foreign currency funds to RMB (foreign exchange service) and transfer the converted funds back to Enterprise C’s mainland China bank account (pay-out service). Enterprise C also utilizes its funds at the virtual account to pay third-party advertisement and logistics services (pay-out service).

As indicated in the following fund flow diagram, the process of fund collection from end-buyer’s paying account to Enterprise C’s virtual account at the Company is where we provide pay-in service. The process of funds transfer from Enterprise C’s virtual account to UnionPay/NetsUnion, and further distribute to Enterprise C’s bank account or third-party bank account is where we provide pay-out service. The following diagrams illustrate the information flow, fund flow, roles and functions of each of the key parties involved in this scenario in further details:



Notes:

1. Refer to Enterprise C’s bank account or third-party bank account opened with issuing banks or digital wallet issuers, such as Alipay and WeChat Pay.
2. Refer to Company X’s (end-buyer) bank account opened with issuing banks or digital wallet issuers.
3. Refer to central deposit and management reserve account with the PBOC or depository account opened by Lianlian with the depository banks designated by the PBOC.

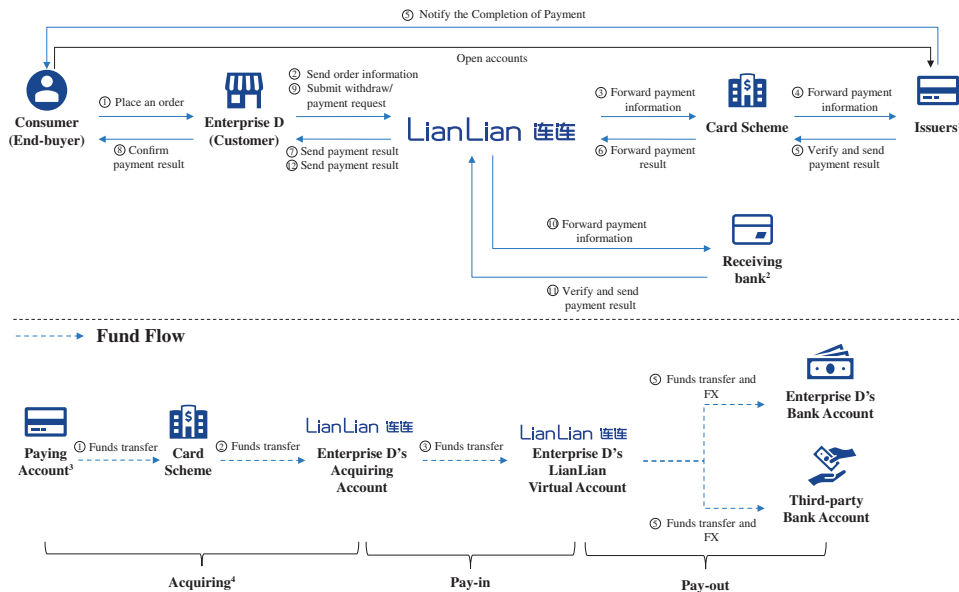
TPV contribution from circumstances where we provide pay-in and pay-out services for Chinese cross-border enterprises represented 3.6%, 6.2%, 12.3% and 19.2% of our total TPV of global payment services in 2020, 2021, 2022 and for the nine months ended September 30, 2023, respectively.

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Scenario 4 – for overseas merchants and enterprises: the Company provides acquiring, pay-in, and pay-out services

Enterprise D is a Thailand based enterprise that conducts e-commerce business with its own independent site. Enterprise D can leverage LianLian’s acquiring services to integrate international credit cards, local payments, bank card payments, and e-wallets. LianLian primarily acts as the acquiring institution (or collaborates with locally qualified financial institutions) to provide acquiring services for Enterprise D. We help Enterprise D to receive and make international payments through its virtual account provided by us (pay-in and pay-out service).

As indicated in the following fund flow diagram, the process of funds transfer from end-buyer’s paying account to the card scheme and further to Enterprise D’s acquiring account at the Company is where we provide acquiring service. The process of funds transfer from Enterprise D’s acquiring account to its virtual account at the Company is where we provide pay-in service. In circumstances where funds are transferred into mainland China, the process of funds transfer from Enterprise D’s virtual account to UnionPay/NetsUnion, and further distribute to Enterprise D’s bank account or third-party bank account is where we provide pay-out service. The following diagrams illustrate the information flow, fund flow, roles and functions of each of the key parties involved in this scenario in further details:



Notes:

1. Issuers refer to (i) issuing banks that issue cards to cardholders or (ii) digital wallet issuers, such as Alipay and WeChat Pay.
2. Refer to Enterprise D’s bank account or third-party bank account opened with issuing banks or digital wallet issuers.
3. Refer to end-buyer’s bank account opened with issuing banks or digital wallet issuers.
4. The Company collaborates with locally qualified financial institutions to provide acquiring services in countries and regions where it is not qualified to do so.

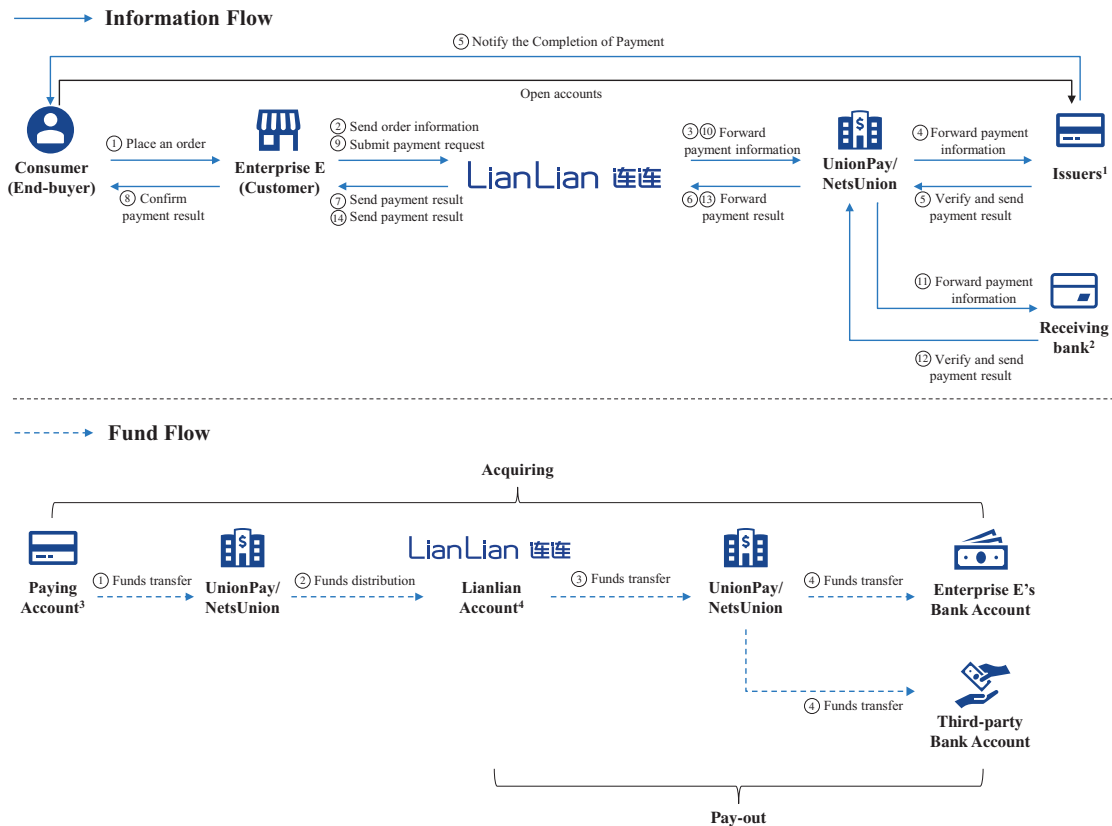
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TPV contribution from circumstances where we provide a mix of acquiring, pay-in and pay-out services to overseas merchants and enterprises represented nil, 0.2%, 0.5% and 2.1% of our total TPV of global payment services in 2020, 2021, 2022 and for the nine months ended September 30, 2023, respectively.

Scenario 5 – for domestic enterprises: the Company provides acquiring, pay-in, and pay-out services

Enterprise E is a Chinese enterprise that operates e-commerce business, who develops a WeChat Mini-program to sell goods. We help Enterprise E to accept payments from its end-buyers, who may use various payment methods to pay, and then transfer acquired money to its own domestic bank account (acquiring service). We also help Enterprise E to make payments to third parties with acquired funds in some circumstance (pay-out service). Enterprise E may also choose to top up the Company’s depository account (pay-in service) and then make payments with such funds (pay-out service).

As indicated in the following fund flow diagram, the fund flow includes funds transfer from end-buyer’s paying account to UnionPay/NetsUnion, funds distribution to the Company’s customer depository account, funds transfer to UnionPay/NetsUnion, and then transfer funds to Enterprise E’s bank account or third-party bank account. The following diagrams illustrate the information flow, fund flow, roles and functions of each of the key parties involved in this scenario in further details:



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Notes:

1. Issuers refer to (i) issuing banks that issue cards to cardholders or (ii) digital wallet issuers, such as Alipay and WeChat Pay.
2. Refer to Enterprise E’s bank account or third-party bank account opened with issuing banks or digital wallets issuers.
3. Refer to end-buyer’s bank account opened with issuing banks or digital wallet issuers.
4. Refer to central deposit and management reserve account with the PBOC or depository account opened by Lianlian with the depository banks designated by the PBOC.

TPV contribution from circumstances where we provide a mix of acquiring, pay-in and pay-out services to domestic enterprises represented 49.6%, 54.2%, 85.1% and 92.2% of our total TPV of domestic payment services in 2020, 2021, 2022 and for the nine months ended September 30, 2023, respectively.

Our Operating and Financial Highlights

We have achieved resilient growth during the Track Record Period. The cumulative number of customers we served increased to approximately 3.2 million as of September 30, 2023. The TPV for our digital payment services increased from RMB849.4 billion in 2020 to RMB971.2 billion in 2021 and further to RMB1,153.0 billion in 2022. Our revenue increased from RMB588.5 million in 2020 to RMB643.6 million in 2021 and further to RMB742.7 million in 2022, representing 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. Our gross profit margin were 64.3%, 68.2%, 62.7% and 57.9% in 2020, 2021, 2022 and for the nine months ended September 30, 2023, respectively. We recorded net losses of 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 EBITDA (Non-IFRS measure) were a loss of RMB313.7 million, a loss of RMB726.5 million, a loss of RMB874.7 million, a loss of RMB619.9 million and a loss of RMB575.5 million, respectively; and our adjusted EBITDA (Non-IFRS measure) were 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, respectively, in 2020, 2021, 2022 and for the nine months ended September 30, 2022 and 2023.

OUR STRENGTHS

We believe that the following strengths have contributed to our success and differentiated us from our competitors.

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Leader in China digital payment solution market and global commerce digitalization

We ranked first among all independent digital payment solution providers in China in terms of TPV in 2022, with a market share of 9.1%, according to Frost & Sullivan. We also ranked seventh among all digital payment solution providers in China in terms of the TPV in 2022, with a market share of 0.6%. Attributable to our neutrality as an independent digital payment solution provider, we earn trust from our customers and we are able to serve our customers through deep collaboration and grow with them along the way. Please see “Industry Overview – Competitive Landscape of Digital Payment Solution Market in China” for further details.

We are one of the first digital technology companies in China to provide a wide range of payment solutions on a global scale, according to Frost & Sullivan. Over the years, we have achieved a global license layout and developed strong service capabilities both locally and globally. Benefiting from China’s integral role in global commerce, we, as a digital payment solution provider in China with established global business coverage, are positioned to enable the digitalization of global commerce and will in turn capitalize the opportunities from the digital transformation.

A global business supported by global license layout and regulatory compliance framework

Among all 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, leveraging our global license layout consisting of 64 payment licenses and relevant qualifications and collaboration with business partners, we are able to serve customers through our global payment network that covers over 100 countries and regions and supports transactions in over 130 currencies. Our comprehensive licenses help to ensure a compliant, secure and reliable payment network for all transactions conducted through our platform. As of the Latest Practicable Date, through our services, we helped businesses around the world set up online stores on over 100 e-commerce platforms, conduct marketing on over 30 internet platforms and ship goods to 29 major ports globally.

Furthermore, through building up our global license layout, we have accumulated a wealth of experience, know-how and competencies in navigating the complex legal and regulatory environment for global commerce. This enables us to provide customers with solutions that are adapted for regulatory requirements, supporting compliant, secure and reliable fund and information flow. Our strong compliance track record reinforces our credibility profile with regulatory authorities, including central banks of different countries and regions. Our continued and in-depth business partnerships with leading international financial institutions are also validations of our compliance commitment. We believe that our regulatory compliance framework has earned trust from regulators, customers and partners, enabling our customers to succeed in the digital transformation in global commerce.

BUSINESS

Proprietary technology platform designed for complex global commerce transactions

In response to complex global commerce transactions featuring multiple channels, high frequency, complicated regulatory requirements and rapid development, leveraging our technology expertise and know-how acquired over the years, such as big data, AI, cloud computing and blockchain, we have developed a proprietary technology platform. Our technology platform embeds stable, secure and flexible systems that cover payment, fund transfer, global fund distribution, FX processing, risk management, AML assessment and transaction authenticity verification. It is also highly flexible and scalable, which allows us to quickly adapt to business needs of new vertical industries and business scenarios, enabling us to continuously upgrade and innovate our solutions. The virtual accounts we assign to our customers in global payment services are derived from our technology platform, the adoption of which improves the efficiency of fund and information flows as compared to traditional banking methods.

Our advanced technology infrastructure is exemplified by features such as (i) an advanced AML system capable of inspecting over 10,000 transactions per second, (ii) PB-level, which equals to two to the 50th power of bytes, data processing capabilities, (iii) risk management and monitoring with millisecond-level risk control indicators to identify and manage potential risks from different angles, (iv) distributed payment platform technology with payment network dynamic routing capable of identifying the best path for information to travel across the internet and (v) single payment order processing within 200 milliseconds on average. As a recognition of our advanced technology platform, we received numerous awards and accolades both in China and globally, such as National Digital Commerce Enterprise accredited by the Ministry of Commerce of the People’s Republic of China in 2020 and First Prize for Science and Technology Progress accredited by the People’s Government of Zhejiang Province in 2019.

Integrated solutions for businesses to succeed

We help businesses easily tap into the global market through a simplified transaction process and much-lowered barriers. Leveraging our integrated digital payment services and value-added services, businesses can reach various kinds of third-party service providers globally with time-efficiency, enabling them to quickly set up a shop, select products, conduct marketing, make transactions, arrange shipment and collect payments from end-buyers around the world.

Over the years, we have accumulated profound insights into global markets and various industries. Through analyzing these insights, we have created tailored digital solutions for our customers, enabling businesses to focus on their core business and achieve success globally. For example, the average TPV expansion rates for our new Chinese cross-border merchants were 284%, 199%, 211% and 320% for the 12 months ended December 31, 2020, 2021, 2022 and September 30, 2023, respectively.

BUSINESS

Fast growing and loyal customer base

We are committed to providing customers with integrated solutions and satisfactory customer services, which were awarded and recognized among China’s Best Customer Centers by the Golden Headset Customer Center Selection in 2019 and 2020. As a result, our Chinese cross-border customer base experienced rapid growth with enhanced loyalty during the Track Record Period. The number of our active Chinese cross-border merchants increased from 421,885 in 2020 to 845,102 in 2022, representing a CAGR of 41.5% from 2020 to 2022, and surpassed 1.1 million for the 12 months ended September 30, 2023. The number of our active Chinese cross-border enterprises increased significantly from 11 in 2020 to 1,956 in 2022, and further to 4,249 for the 12 months ended September 30, 2023.

Moreover, we leverage our global license layout and capabilities developed locally and globally to provide digital solutions to overseas merchants and enterprises. The number of our active overseas merchants and enterprises increased significantly from 82 in 2020 to 2,312 in 2022, and further to 3,560 for the 12 months ended September 30, 2023.

Management team with international know-how

Our Company’s success is fostered in our management team’s international know-how. In our earlier years of development, we established long-term partnerships with e-commerce platforms, commercial banks, clearing institutions such as American Express, and third-party service providers around the world. Our management has a focus on the digitalization of global commerce, deepening our roots in China while expanding our business, licenses and operation globally. As of the Latest Practicable Date, we had 16 overseas offices in nine countries and regions. The key members of our management team all have experience working in leading international business institutions. We believe their in-depth know-how will continuously drive our long-term development and success.

OUR STRATEGIES

We plan to execute the following strategies to drive our future growth.

Further expand our global business

We will continue to increase investment and further expand our global business to bring more business flow onto our established global network. To achieve this goal, we will continue to apply for and obtain licenses necessary for conducting business in a wider geographic area. We will also enhance our global partnerships and further deepen our cooperation with them to improve our technology platform for global commerce. In terms of regional focus, we will strengthen our presence in Southeast Asia, the Middle East and Latin America. We plan to serve local businesses in these regions and support the local customers’ global business activities.

BUSINESS

Explore the application of the latest technologies in digital payment

We believe that the application of the latest technologies is a key factor for digital payment solution providers to reduce cost and lower barriers for global commerce. We will continue to explore the application of advanced technologies in digital payment, including blockchain and artificial intelligence, and develop our innovative technology platform. We believe such efforts will enhance our capability to better serve businesses globally in response to the complex and evolving global commerce environment. In addition, we plan to collaborate with a variety of companies and institutions who have developed and utilized advanced technologies to introduce more open technologies to our platform.

Continue to upgrade and develop innovative solutions

We will continue to upgrade and develop innovative solutions by leveraging on the application of the latest technologies and the industry insights we have achieved over the years of serving businesses globally. We intend to apply the latest technologies to provide digital solutions in a more convenient and efficient way, while also integrating more features and functions into our digital solutions. We will leverage our industry insights to design more industry-specific solutions, enabling us to further expand our business and customer base into more industries.

Attract, retain and motivate talents

We believe that people are the foundation of all businesses. Therefore, we will continue to invest heavily in talents. We plan to recruit top-notch professionals with international perspectives, industry knowledge, technical expertise and local experience from around the world to join our team. We will also support our employees to develop their careers and perform on a broad stage through our global business network.

OUR SOLUTIONS

Overview

Leveraging our global payment network built upon our global license layout, we provide integrated digital payment solutions, which comprise digital payment services and value-added services. The following table sets forth our digital payment solutions:

Digital payment services	Value-added services
(i) Pay-in	<u>Business services</u>
(ii) Pay-out	(i) Digital marketing
(iii) Acquiring	(ii) Operation support
(iv) Foreign exchange	(iii) Referral services
(v) Virtual card	
(vi) Payment aggregation	<u>Technology services</u>
	(i) Account and e-wallet
	(ii) Software development

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Over the years, we have accumulated a wealth of experience, know-how and competencies in navigating the complex legal and regulatory environment for global commerce. This enables us to provide customers with solutions that are compliant with the regulatory requirements of the jurisdiction where they operate. We also leverage our proprietary technology platform and robust risk management to ensure the implementation of our regulatory compliance framework. We believe our commitment to regulatory compliance and related efforts has earned the trust of regulators, customers and partners, enabling our customers to succeed in the digital transformation in global commerce.

With both our digital payment services and value-added services, we provide a one-stop service for customers that address their core needs. The two types of services have strong synergistic effects not only in terms of operational efficiency but also create a virtuous cycle that creates complementary effects.

During the Track Record Period, we generated a majority of revenue from digital payment services, in particular, global payment services. Meanwhile, our value-added services experienced fast growth, becoming a critical revenue stream. The following table sets forth the breakdown of our revenue for the periods indicated:

	Year ended December 31,						For the nine months ended September 30,			
	2020	2021		2022		2022	2023			
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
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.”

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Our customers for digital payment solutions mainly include merchants, who primarily conduct retail business with end-buyers through e-commerce platforms, and enterprises, who primarily sell goods or provide services to end-buyers including companies and institutions. During the Track Record Period, majority of our active customers are Chinese cross-border merchants. It is one of our business strategies to focus on serving Chinese cross-border merchants to catch the huge and growing market opportunities in global commerce and export digitalization in China. The following table sets forth the number of our active customers for the periods indicated:

	For the year ended			For the twelve	
	December 31,			months ended	
	2020	2021	2022	2022	2023
Numbers of Active Customers⁽ⁱ⁾					
Chinese cross-border merchants ⁽ⁱⁱ⁾	421,885	688,825	845,102	826,466	1,102,604
Chinese cross-border enterprises ⁽ⁱⁱⁱ⁾	11	33	1,956	1,192	4,249
Overseas merchants and enterprises ^(iv)	82	506	2,312	1,764	3,560
Domestic enterprises ^(v)	3,482	3,406	3,328	4,062	3,228
Average TPV expansion rate of new Chinese cross-border merchants^(vi)					
	284%	199%	211%	193%	320%

Notes:

- (i) The numbers of active customers refer to those who have at least one transaction activity with our solutions for the 12 months ended December 31, 2020, 2021, 2022 and September 30, 2022 and 2023, respectively.
- (ii) Refer to Chinese merchants engaging in cross-border transactions whose payment transactions involve end-buyers from different jurisdictions.
- (iii) Refer to Chinese enterprises engaging in cross-border transactions whose payment transactions involve counter-parties from different jurisdictions.
- (iv) Refer to merchants and enterprises located outside China.
- (v) Refer to Chinese enterprises whose payment transactions are purely processed in China.
- (vi) Average TPV expansion rate of new Chinese cross-border merchants refers to TPV recorded during a period divided by the TPV of new Chinese cross-border merchants of the immediate previous period. The average TPV expansion rate of new Chinese cross-border merchants decreased from 284% in 2020 to 199% in 2021, mainly due to the impact of COVID-19 pandemic which negatively affected the cross-border commerce and business activities of our customers. The average TPV expansion rate of new Chinese cross-border merchants subsequently increased to 211% in 2022, primarily because, over time, the temporary restrictive measures implemented has cultivated a large pool of consumers who are accustomed to online purchases, driving up the demand for cross-border commerce and the TPV of our customers. The average TPV expansion rate of new Chinese cross-border merchants increased from 193% for the 12 months ended September 30, 2022 to 320% for the 12 months ended September 30, 2023, primarily because restrictions related to COVID-19 have been substantially lifted and business activities are resuming globally.

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The following table sets forth the TPV of our digital payment services for the periods indicated:

	For the year ended December 31,						For the nine months ended September 30,			
	2020		2021		2022		2022		2023	
	<i>(RMB in millions, except for percentages)</i>									
TPV of digital payment services										
Global payment	106,284	12.5%	135,184	13.9%	134,813	11.7%	96,944	10.7%	121,750	9.3%
Chinese cross-border merchants	102,507	12.1%	126,572	13.0%	117,507	10.2%	85,416	9.5%	95,854	7.3%
Chinese cross-border enterprises	3,777	0.4%	8,320	0.9%	16,626	1.4%	11,130	1.2%	23,351	1.8%
Overseas merchants and enterprises	–	–	292	0.0%	680	0.1%	398	0.0%	2,545	0.2%
Domestic payment	743,110	87.5%	836,040	86.1%	1,018,219	88.3%	804,954	89.3%	1,190,218	90.7%
Domestic enterprises	743,110	87.5%	836,040	86.1%	1,018,219	88.3%	804,954	89.3%	1,190,218	90.7%
Total	<u>849,394</u>	<u>100.0%</u>	<u>971,224</u>	<u>100.0%</u>	<u>1,153,032</u>	<u>100.0%</u>	<u>901,898</u>	<u>100.0%</u>	<u>1,311,968</u>	<u>100.0%</u>

In 2020, 2021, 2022, and for the nine months ended September 30, 2022 and 2023, TPV of global payment services represented 12.5%, 13.9%, 11.7%, 10.7% and 9.3% of our total TPV of digital payment services, respectively. During the same periods, revenue generated from global payment services represented 64.2%, 68.4%, 64.4%, 64.1% and 65.7% of our total revenue, respectively. In general, when we collect service fees based on a percentage amount of the TPV transacted by a customer, our fee rate is generally higher for global payment services than that for domestic payment services, primarily because (i) we provide a more extensive service scope for global payment, such as foreign exchange, and (ii) the structural difference of global payment and domestic payment by products as a result of market and business nature. For this reason, despite domestic payment contributed the substantial majority of the Company’s TPV of digital payment services during the Track Record Period, revenue contribution by domestic payment is relatively low.

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Digital Payment Services

Overview

In the global e-commerce industry, businesses often carry out their activities on multiple e-commerce platforms in different countries and regions. This requires global payments to be accurately and timely settled, which requires opening and managing bank accounts in each of the jurisdictions where businesses operate, and an obligation to comply with cumbersome and lengthy requirements of such financial institutions. As businesses expand, they face the problem of complying with requirements of multiple e-commerce platforms and the different payment systems they adopt, and opening compliant foreign banking accounts is not an easy task for many small and mid-sized businesses. Traditional methods of fund transfer also entail multiple difficulties such as long cross-border bank transfer time, high intermediary bank handling fees and unpredictable exchange rate risks. Moreover, the actual transfer of funds typically involves multiple banks or financial institutions in different jurisdictions, and any error in between could derail the entire transaction process.

Through our well-established collaboration with e-commerce platforms, commercial banks and clearing institutions, we provide a comprehensive set of digital payment services, primarily including pay-in, pay-out, acquiring, foreign exchange, virtual card and payment aggregation that address these challenges to help businesses manage transparent, fast and secure global payments. The following table sets forth the revenue breakdown of our digital payment services by type and nature of services for the periods indicated:

	Year Ended December 31,			Nine Months Ended September 30,	
	2020	2021	2022	2022	2023
				<i>(unaudited)</i>	
				<i>(RMB in thousands)</i>	
Pay-in/Pay-out/ Acquiring/Virtual card	530,542	581,251	623,972	452,238	624,154
Payment aggregation	7,388	6,752	6,125	4,295	1,521
Total	537,930	588,003	630,097	456,533	625,675

In general, our digital payment services are carried out in the following order:

Onboarding

1. A prospective customer initiates an application process to utilize our solutions by applying through our website.

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2. We conduct standard KYC/KYB procedures where we collect additional documents and information to verify customer identity and qualification in accordance with applicable laws, regulations and our internal control policies.
3. Once KYC/KYB and onboarding is completed, the customer is given access to its customer interface.

Service

4. The customer interface provides access to our services including virtual account, virtual card, and various other value-added services.
5. The customer selects the product and service it needs through the customer interface, such as receiving money through our pay-in service, and we collect fees according to our standard practice, typically by percentage of transaction volume or a fixed fee.
6. The customer utilizes our pay-out services to transfer fund to its own account, which may include our foreign exchange services if the procedure involves multiple currencies.

In general, we enter into a standard contract with each customer for our digital payment services on a non-exclusive basis. The contract provides the detailed service scope and service charges. If we fail to provide services as provided pursuant to the contract, we may be subject to termination of the contract or indemnification to our customer provided that the indemnification amount usually will not exceed the total amount of the service fees collected from the customer for the involved service. However, we are not liable for service failure caused by (i) system downtime for maintenance we notified in advance, (ii) delays, interruptions, or failures in transmission due to telecommunications errors or force majeure factors, or (iii) inability to continue to perform the agreements according to laws, regulations, or government policies.

Our rights and obligations encompass the daily maintenance and enhancement of our digital payment system. We are committed to ensuring the secure, accurate custody and prompt transfer of customer funds and empowering customers to manage their capital and analyze transaction data through (i) conducting risk assessments for customers, (ii) providing them with foundational training and continuous guidance on system utilization, (iii) offering technical consultation and support for payment processes, and (iv) recommending risk prevention strategies to customers. During the course of providing digital payment services, we are responsible for conducting due diligence to assess the authenticity of customer information and the legality of transactions. We are entitled to unilaterally terminate our services, freeze customers' funds, and report to relevant regulatory authorities in the event that (i) we notice that customers conduct suspicious or illegal transactions, or commit any acts that are considered as illegal or dishonest use of accounts and personal data, (ii) we believe that customers may be engaging in fraudulent or other illegal activities, (iii) customers are placed on a regulatory blacklist, subject to investigation or penalties due to violation of applicable laws or regulations, (iv) we suspect that the identity information and related materials customers provided are incorrect, untrue, outdated, or incomplete, (v) customers fail to rectify

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certain material defects in their business operations, (vi) we believe that customers have breached the agreements or otherwise damaged our interests or reputation. Pursuant to the terms of the contracts we entered with our customers, any liability arising from any illegal transactions shall be borne by the customer save where such illegal transactions are caused by us. For details on material terms with our customers, please see “– Customers and Suppliers – Customers – Agreements with Customers”. During the Track Record Period and up to the Latest Practicable Date, we provided digital payment services in accordance with the relevant laws and regulations in the PRC and other major jurisdictions, and we had not been found liable or penalized by any competent government authorities for facilitating illegal transactions.

On the basis that, as of the Latest Practicable Date, (i) we had not been named as defendants or held any criminal responsibility in any criminal cases relating to facilitating illegal transactions, (ii) we did not receive any rectification notice from, nor any punishment by the competent regulator, (iii) we have performed KYC and KYB procedures to verify our customers’ identities and qualifications, and (iv) our service agreements require our customers to undertake that their services will not be used to facilitate illegal purposes or activities and shall indemnify us for losses and related expenses, the PRC Legal Advisor, after reviewing relevant payment service agreement, license, qualification and operational documents and conducting case searches on relevant official judicial websites, is of the view that we had not facilitated illegal transactions, nor had we been found liable or penalized by any competent government authorities on illegal transactions.

Pay-in

We provide global digital fund pay-in services to our customers and help them receive funds from different sources. Our payment solutions are available in over 100 e-commerce platforms as of September 30, 2023. Following the use of our pay-in services, customers often proceed with our pay-out services. Therefore, we consider pay-in and pay-out services as a combined item when charging customers. See “– Pay-Out – Revenue and Pricing of Pay-in and Pay-out” for details of our pricing.

Pay-in is a flow of funds, (i) in the case of our global payment business, from sale of merchandise by our customers at the e-commerce platform into the virtual account assigned to the customer under Lianlian’s business account maintained with Lianlian’s banking partners, or (ii) in the case of our domestic payment business, into Lianlian’s deposit account, with the amount earmarked for the customer, which is typically carried out in the following ways:

1. *Pay-in from e-commerce platform* – After an end-buyer confirms an order on an e-commerce platform and initiates instruction to transfer funds from its paying account to the e-commerce platform, and the fund payable to our customer, after deduction of the platform’s charges, is transferred to Lianlian’s bank account and is visible at such customer’s virtual account at our place.

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2. *Pay-in from enterprise* – After an end-buyer confirms an order directly with enterprises (such as an independent site operator) and initiates instruction to transfer funds from its paying account, the fund payable to our customer after deduction of the applicable charges if any, is transferred to Lianlian’s bank account and is visible at such customer’s virtual account at our place.

Pay-out

We provide global digital fund pay-out services to our customers. Our digital payment services enable our customers to transfer funds in various currencies to their own bank accounts or to that of a third party including partners and suppliers through simple integrated online procedures. We can also provide foreign exchange service and virtual card service as needed in conjunction with our pay-out service. Our pay-out fund flow is typically carried out in the following ways:

1. *Pay-out to own account* – Our customers initiate instruction to withdraw the funds to their own bank account. If different types of currencies are involved, they may choose to use our foreign exchange service during the withdrawal process. The fund goes from Lianlian’ account to our customers’ own bank account.
2. *Pay-out to third-party account* – Our customer initiates instruction to transfer funds to a third party, such as their suppliers and business partners. Foreign exchange service and virtual card service are available for such transfers. The fund goes from Lianlian’s account to the third party’s bank account.

Our Value Add in Pay-in and Pay-out

Our customers operate e-commerce business and sell goods to their end-buyers across the globe. They face two challenges: First, high frequency of transaction and low single transaction value makes traditional costly wire transfer unattractive to them, and more and more cross-border e-commerce platforms require local bank accounts to complete transactions. Many of our customers are small and mid-sized merchants and enterprises that do not possess local operational entities, and they face difficulties in overseas bank accounts opening, which can be time-consuming or unsuccessful. Second, regulations of cross-border payments vary greatly between different countries and regions. It is burdensome for our customers to understand and comply with each and every of them and thus subject them to compliance risks. We are able to assist customers in completing cross-border transfers within several hours, while according to Frost & Sullivan, in 2022, even if our customers were able to successfully open overseas bank account(s) with traditional banks, the same set of cross-border transfers would typically take around one or two weeks to complete.

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We provide our customers a set of virtual accounts and value-add services to help them solve these problems. With our virtual accounts and compared to traditional banks, our customers can pay real-time and get paid quickly and reliably and no longer need to open the foreign bank accounts of their own. In addition, our customers may rely on our domestic and overseas payment licenses and qualifications to reduce their compliance costs.

Revenue and Pricing of Pay-in and Pay-out

In general, we generate revenue under our pay-out services primarily by collecting service fees either on a percentage fee basis, depending on the agreement with the customers, or charging customers a fixed fee on a per transaction basis. For global payment business, we generally charge customer service fees that are a percentage amount of the TPV transacted by the customer, typically ranging from nil to 2.0%. For domestic payment business, we generally charge a customer service fees that are a percentage amount of the TPV transacted by the customer, typically ranging from nil to 0.03%, or charge a customer a fixed fee, typically ranging from nil to RMB10 per transaction. A substantial majority of our revenue under pay-in and pay-out services are charged based on a percentage amount of the TPV transacted by the customer. Revenue is recognized, at a point in time, upon completion of the pay-out services. Our pricing strategy is largely market-driven. Our service fee rate is typically determined by reference to settlement procedures and methods, cost of payment channels and e-commerce platforms, the pricing of industry peers in relevant jurisdictions for providing services, our business strategies for future development, and customers’ business scale and our commercial relationship with them, among others. Our service fee rate for pay-out services is within the range of industry average, according to Frost & Sullivan.

Examples of Pay-in and Pay-out

Merchant A engages in cross-border e-commerce operations. Upon successful registration and accreditation on Lianlian’s official portal, which includes, an onboarding process by Lianlian, consisting of KYC and KYB information collection, verification, regulation, and Lianlian-specific screening procedures, it initiates a request to Lianlian for a virtual account to the merchant, linked to Lianlian’s account and subsequently links this account to the e-commerce platform on which it sells products or services. Whenever Merchant A facilitates a sale, the funds of end-buyers are transferred from their paying account to the e-commerce platform. The funds, after the platform fees are deducted, are transferred to Lianlian’s account. Lianlian assists Merchant A in transferring the funds from the e-commerce platform into Lianlian’s account, while concurrently issuing a notification of remittance to Merchant A’s virtual account at Lianlian. Our successful receipt of funds on Merchant A’s behalf marks the completion of the pay-in process. Later, merchant A can initiate a withdrawal instruction to transfer the funds from the Lianlian account to its bank account. In addition, Merchant A can use Lianlian account to pay product procurement, promotional endeavors, logistical management, fiscal compliance, and other fees to third-party service providers, ensuring the funds reach the designated banking accounts of these providers. The successful withdraw of funds to Merchant A’s bank account or payments made to third parties on Merchant A’s behalf marks the completion of the pay-out process.

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Enterprise B engages in international trade businesses. Upon successful registration and accreditation on Lianlian’s official portal, Lianlian assigns a virtual account to Enterprise B, linked to Lianlian’s account. After a transaction wherein Enterprise B sends a product to an end-buyer and such end-buyer makes corresponding payment, the end-buyer funds are transferred to Lianlian’s account, while we concurrently issuing a notification of remittance to Enterprise B’s virtual account at Lianlian. Our successful receipt of funds on Enterprise B’s behalf marks the completion of the pay-in process. In subsequent operations, Enterprise B has the discretion to either withdraw the funds from its virtual account linked to Lianlian account to its bank account, or keep the balance and utilize our payment services, including product procurement, promotional endeavors, logistical management, fiscal compliance, and other fees to third-party service providers, ensuring the funds reach the designated banking accounts of these providers. The successful withdraw of funds to Enterprise B’s bank account or payments made to third parties on Enterprise B’s behalf marks the completion of the pay-out process.

Acquiring

We provide global acquiring services to our customers to help them collect funds from end-buyers for online transactions. Our customers also benefit from (i) real-time transaction monitoring to track status of funds flow, (ii) post-transaction data analytics to further improve operational efficiency, and (iii) recall services to ensure refunds are handled effectively. At present, we operate our acquiring services preliminarily in China and Thailand.

Our acquiring services have the following features:

- Diverse options – we provide diverse payment options that are suitable for customers’ needs in different settings, whether online or offline, giving them convenient, secure and efficient payment options.
- Convenient access – we provide multiple docking channels, including (i) unified API (application programming interface) and SDK (software development kit) and integrated multi-link application interface, (ii) unified payment channel configuration, including customized payment channels for domestic enterprises, and (iii) unified system upgrades, including payment channel optimization and improvement without front-end adjustment to API and SDK.
- Quality service – we provide (i) cost efficient and reliable payment channels for funds collection and (ii) devoted customer service support systems that help address the needs of customers in a timely manner.

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In the near term, we plan to expand our acquiring services by focusing on independent site sellers as well as merchants who operate in targeted industry by following reasons:

- *Volume Growth and Market Share.* Expanding acquiring services with lower margin can be a strategy to capture a larger market share, increase overall transaction volume, and broaden the customer base. Operating at a larger scale can eventually lead to cost efficiencies and higher total profits, even if the margin per transactions is lower.
- *Building Pay-in & Pay-out Ecosystems.* Acquiring services are important bedrocks to digital payment services. We strive to create an ecosystem where customers can benefit a suite of interconnected payment services, among which acquiring services play an important role. Such ecosystem can (i) create cross-selling opportunities by incentivizing customers to use multiple services, especially if integrated solutions offer convenience or financial incentive; (ii) attract new customers and retain existing ones through a seamless, one-stop-solution experience that enhances customer satisfaction and loyalty, driving our long-term revenue; (iii) stay competitive and differentiate from competitors on strategic niches.
- *Effective global reach for payment customers.* Through acquiring services, we help our customers to reach overseas individual consumers effectively.

While reinforcing our global payment licenses portfolio and acquiring services qualifications, we will continue to enhance our collaborations with global acquiring channels to improve our channel capabilities. In addition, we will also refine our service capabilities, establish a comprehensive account management system and strengthen compliance and risk control technology. Such a multi-dimensional approach is expected to enhance, among others, our transaction processing capabilities, risk management system, system integrity, service quality and payment coverage, boosting our market competitiveness in the acquiring services market.

An Example of Acquiring

An insurance company is a customer of Lianlian in China. It leverages Lianlian’s acquiring services to facilitate the online sales of its commercial insurance products via its WeChat official account. When its user selects a product and places an order, Lianlian collects and processes the order, subsequently transmitting the payment information to a clearing institution. The clearing institution continues to forward payment information to the user’s card-issuing bank. Upon the user’s consent and authorization, the card-issuing bank transfers funds to the clearing institution, then the clearing institution forwards the funds to Lianlian account. Lianlian transfer funds to UnionPay or NetsUnion in China, which then transfer funds to insurance company’s bank account. At that point, the transaction of purchasing commercial insurance products online is completed. Our successful receipt of funds on the insurance company’s behalf marks the completion of the acquiring process.

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We are a principal member of card schemes in Mainland China and Singapore and can provide acquiring services directly through the clearing institution consisting of American Express, UnionPay, Visa, and MasterCard in these jurisdictions. To become a principal member of the card schemes members, we are required to, among others, (i) possess payment service qualifications and relevant licenses, (ii) enter into agreements with card schemes, outlining the terms and conditions of card schemes’ partnership, (iii) comply with card schemes’ rules and regulations, (iv) have the technical capabilities to integrate with card schemes’ payment processing systems, ensuring smooth and reliable transaction processing, and (v) establish a risk management program to control risks related to the use of card scheme services and products. In other jurisdictions, we partner with local financial institutions with such credentials to provide acquiring services.

Our Value Add in Acquiring

Our customers face two primary challenges in China: First, many enterprises face the need to operate various online and offline sales channels in China’s mobile internet environment. As a result, enterprises need to accommodate various payment methods that end-buyers may use, thus operating and maintaining multiple payment channels, which may incur significant costs. Second, internet marketing methods such as group shopping and live streaming popular in China may require supporting of credit payment methods and innovative functions such as secured transactions. The market requires compliant, flexible, and trustworthy payment services.

Our acquiring services can help our customers by unifying various online and offline payment channels, such as mobile payment methods and POS machine, and reducing their operational costs. In addition, we can address complex market needs in China’s model internet environment with our compliant payment system, risk control procedures, and technical supports.

In addition, with respect to overseas acquiring services, we also provide value add for our customers similar to those discussed in “– Pay-Out – Our Value Add in Pay-in and Pay-out”.

Revenue and Pricing of Acquiring

We generate revenue under our acquiring services primarily by charging a customer service fees that are a percentage amount of the TPV transacted by the customer, typically ranging from 3.2% to 5.5% for global payment business, and from 0.05% to 1.1% for domestic payment business. A substantial majority of our revenue under acquiring services are charged on a percentage amount of the TPV transacted by the customer. Revenue is recognized, at a point in time, upon completion of the acquiring services. Our pricing strategy is largely market-driven. Our service fee rate is typically determined by reference to settlement procedures and methods, cost of payment channels and e-commerce platforms, the pricing of industry peers in relevant jurisdictions for providing services, our business strategies for future development, and customers’ business scale and our commercial relationship with them, among others. Our service fee rate for acquiring services is within the range of industry average, according to Frost & Sullivan.

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Difference Between Pay-in, Pay-out and Acquiring

Our acquiring service is different from pay-in and pay-out service. The key difference is whether the fund collection process involves acquirer license. For the illustrative purposes of this Document, acquiring services refer to licensed payment institutions processing payments from end-buyers’ bank cards/wallet accounts into its customers’ acquiring accounts at such licensed payment institutions. As a licensed acquirer, we are able to process transaction settlements through card schemes like American Express, UnionPay, Visa and MasterCard. We forward payment requests to the card-issuing banks or institutions of end-buyers, transfer funds from their cards and settle them into designated accounts of our customers. Pay-in refers to the process of fund collection, typically on behalf of our customers from e-commerce platforms or end-buyers into their virtual account linked to Lianlian account. Both acquiring and pay-in services are processes of receiving funds. On the other hand, pay-out service is the process of distributing funds. Pay-out is utilizing our domestic or global distribution channels to distribute funds from a merchant or enterprise’s virtual account linked to Lianlian account to their bank account or to other third-party service providers’ accounts for payment.

Foreign Exchange

We provide the global foreign exchange service to our customers often as an ancillary service to our customers who instruct Lianlian to transfer their funds across borders. We cooperate with local, regional and global banks and other financial intermediaries which assist with foreign exchange service. We leverage our long-term established relationship with our partners aiming to provide convenient services to our customers.

We generate revenue under our foreign exchange services primarily from the spread between the quotation from our partner financial institutions and the exchange rate for conversion by the customer. Revenue is recognized, at a point in time, when the foreign exchange transaction is completed. Our pricing strategy is largely market-driven. Our service fee charged for foreign exchange services is consistent with industry practice, according to Frost & Sullivan.

Our global foreign exchange service has the following features:

- Wide range of foreign currency options – we are capable of converting multiple types of foreign currencies. These include major currencies such as RMB, USD, Euro, UK Pound, Japanese Yen and Hong Kong Dollar. We are also able to convert into other currencies such as Indonesian rupiah, UAE dirham, Polish zloty, Brazilian real, Thai baht, Indian rupee, Malaysian ringgit, Philippine peso and Saudi Arabian riyal.
- Accessible platform with reduced exchange rate risks – we provide customers 24/7 comprehensive foreign exchange service with transparent quotation models such as real-time reference quotations, enabling customers to receive the exact amount as if they made the transaction and avoid exchange rate fluctuation risks, and assistance on monitoring pre-set-up targeted exchange rates and support of automatic conversion, saving customers’ time and efforts.

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Virtual Card

We offer virtual card services in partnership with card issuing institutions to diverse payment networks for our customers, which provides added convenience and utility. By working with card schemes like American Express, Visa, and MasterCard, Lianlian employs its own account with card schemes and their card issuing institutions to provide virtual cards to the customers. The virtual cards allow holders to use them in online transactions in the same manner as bank debit cards. Customers can preload their existing funds into a virtual card and use the available amount for various payment purposes. The payment through virtual card is settled by card schemes, making it widely accepted by businesses around the world, making payment easy and convenient. For example, our customers may use the virtual card to pay for the fees relating to marketing or logistic services provided by third-party providers. We generate revenue under a virtual card through the service fee collected from customers and card schemes. Revenue is recognized, at a point in time, upon completion of the virtual card services.

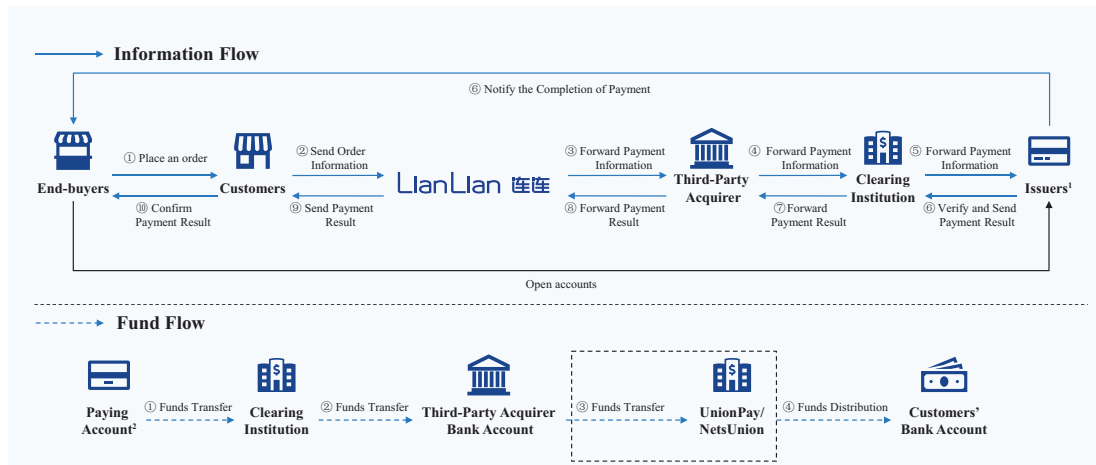
Payment Aggregation

Our payment aggregation provides payment solutions primarily for enterprises in certain industries. We offer customized software solutions that can be built into the base payment services provided by third-party payment companies. We provide our customers simplified and efficient tools for end-buyers’ payments and digitalized transaction management solutions, among others. Our payment aggregation integrates multiple payment methods for Chinese end buyers, including Alipay, WeChat Pay, credit cards, and debit cards, into a unified platform. For global payment business, the application of multiple payment methods by end buyers outside China is not as common as in China, according to Frost & Sullivan. Consequently, our payment aggregation service is currently mainly available for domestic payment business.

We generate revenue under our payment aggregation primarily by collecting services fees on a percentage fee basis or charging customers a fixed fee on a per transaction basis. Under the percentage-based fee arrangement, we charge a customer service fees that are a percentage amount of the TPV transacted by the customer, typically ranging from nil to 1.1%. Under the fixed fee arrangement, we charge a customer a fixed fee, typically ranging from nil to RMB35 per transaction. A substantial majority of our revenue under payment aggregation services are based on a percentage amount of the TPV transacted by the customer. Revenue is recognized, at a point in time, upon completion of the payment aggregation services. Our pricing strategy is largely market-driven. Our service fee rate is typically determined by reference to the pricing of industry peers, our business strategies for future development, cost of payment channels, and customers’ business scale and our commercial relationship with them, among others. Our service fee rate for payment aggregation services is within the range of industry average, according to Frost & Sullivan.

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The following diagrams illustrate the information flow, fund flow, roles and functions of each of the key parties involved and real life examples of our payment aggregation services:



Notes:

1. Issuers refer to : (i) issuing banks that issue cards to cardholders or (ii) digital wallet issuers, such as Alipay and WeChat Pay, who open digital wallets linked to bank accounts for end-buyers.
2. Refer to end-buyers' bank account opened with issuing banks or digital wallet.

[- - -] For payment transactions processed in China, Lianlian transfer funds directly to UnionPay or NetsUnion in China, which then transfer funds to customers' bank account or third-party bank account.

An Example of Payment Aggregation

A pharmaceutical retail group is a customer of Lianlian in China. It has hundreds of offline stores, and operates on various online platforms, including WeChat official account, and WeChat Mini-Program. By leveraging Lianlian's payment aggregation services, the pharmaceutical retail group is able to seamlessly integrate various online and offline payment methods into its payment system. This integration encompasses offline methods such as POS card swiping and QR code scanning, as well as online mobile payment methods including WeChat Pay and Alipay, achieving unified fund collection and reconciliation services. Taking a transaction using QR code scanning as an example, after placing an order, the consumer can opt for any supported payment method to make payment. Lianlian then collects and processes the payment information, subsequently forwards the payment requests to a third-party acquirer. The third-party acquirer accepts and processes the order, and then forwards payment information to the clearing institution, which in turn forwards the payment information to consumer's card-issuing bank. Following the consumer's approval and authorization, the card-issuing bank transfers funds to the clearing institution. The clearing institution then transfers funds to the third-party acquirer's bank account, which transfer funds to UnionPay or NetsUnion in China. UnionPay or NetsUnion ultimately distributes the funds to the pharmaceutical retail group's bank account. Through the payment aggregation services provided by Lianlian, the transaction of QR code payment is completed.

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Value-Added Services

Overview

To complement our digital payment services and help meet the diverse needs of our customers, we utilize our deep insights into global commerce and various industries and work closely with a number of third-party services providers to provide extensive value-added services. We aim to enable businesses to focus on their core competencies and achieve success globally. In the 12 months ended September 30, 2023, 51.4% of our Chinese cross-border merchants used our value-added services following their usage of our digital payment services. During the Track Record Period, all value-added services customers are existing customers from digital payment services. Our value-added services include business services and technology services.

Business Services

Business services include digital marketing, operation support and referral services. We generate revenue from our business services primarily by collecting service fees on a percentage basis based on the TPV of customers. We believe such an approach gives a quantitative metric to measure the additional value added by our service. Our interests are aligned with that of our customers in expanding their TPV. This pricing strategy allows us to grasp the incremental growth of our customers, helping us form a long-term relationship with our customers and grow with them together.

Digital Marketing

We provide marketing solutions to our customers in collaboration with third-party service providers. Our customers may directly access marketing services that can help them precisely acquire end-buyers through a package of benefits, such as product discount and bonus points, to improve their marketing efficiency and effectiveness. Leveraging our digital payment services and customer base, we utilize our industry insights to upgrade our digital marketing services and to explore more diversified and innovative service offerings. For example, through integrating commercial banks’ marketing resources for credit card business with our customers’ business scenarios of our services, we provide our customers with marketing solutions to promote consumptions of their end-buyers. In some scenarios, third-party service providers are our business partners and our customers’ suppliers, providing advertising services, enabling our customers to access user traffic data and other marketing resources to conduct digital marketing.

Operation Support

We partnered with a variety of third-party service providers to offer solutions to support the operation of our customers. Our operation support solutions are designed to address customers’ evolving business needs; for example, we offer solutions to enable cross-border customers to set up shops on e-commerce platforms such as Amazon, Shopee, Shopify and Shopyy by integrating the online store opening application process and connecting to the

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virtual account for our digital payment services and arrange shipment for making transactions around the world. In terms of operation support solutions, we provide an integrated platform where our customers can choose e-commerce platforms for their business and complete online store opening application, while e-commerce platforms will review such applications through our platform. For shipment services, we provide customized logistics solutions for mainstream sea freight and enable customers to connect to reliable and affordable international logistic services provided by third-party logistics providers.

In February 2023, we established a joint venture, namely Zhong Pu Lian Technology, with COSCO SHIPPING Logistics and Supply Chain Management Co., Ltd. (中遠海運物流供應鏈有限公司) and Hangzhou P&T Logistics Technology Co., Ltd. (杭州普泰物流科技有限公司) and Zhong Pu Lian Hai Chuang (Jiaxing) Enterprise Management Company (Limited Partnership) (中普連海創(嘉興)企業管理合夥企業(有限合夥)). Through Zhong Pu Lian Technology’s services leveraging shareholders’ capabilities in logistics and technologies, we help empower merchants, particularly small and medium-sized businesses, who may not have a strong bargaining power, in receiving customized logistics solutions for mainstream sea freight or connecting to reliable and affordable international logistic services. We believe this joint venture can help our customers reduce cost, eliminate uncertainties, improve operational efficiencies and connect with global markets more effectively. Zhong Pu Lian Technology has started operation in March 2023.

Referral Services

We provide referral services to financial institutions who offer financing solutions or other financial products to our Chinese cross-border merchants and enterprise customers. We are able to assist our customers to efficiently access financing solutions, further empowering them to become global players in their respective industry. Financial institutions conduct their own independent risk assessment. Our company does not take any credit risk on our own accounts in providing such referral services. When providing referral services, we act as intermediaries and facilitators to help financial institutions develop or modify financial solutions or products by leveraging data analytics based on authentic transaction behaviors and provide an integrated platform where our customers have access to various financial solutions or products. Financial institutions including commercial banks and other licensed institutions develop financing solutions or products and provide funds to our customers and bear credit risks.

Our referral services have the following features:

- A tailor-made one-stop financing service platform for Chinese cross-border merchants and enterprises;
- Fast and convenient application process supported by robust digital infrastructure; and
- Efficient payment solutions for customers to improve their capital turnover efficiency.

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Technology Services

With the advancement of digital and online technological capabilities, many industries are transforming their activities from offline channels to digital online channels. Leveraging our extensive experience in the payment industry, we provide technology services to help enterprises in various industries bring their offline business to online digital platforms through digitalization, system upgrade and technological infrastructure build-up. Our technology services primarily include account and e-wallet services and software development. We constantly develop and customize our services to meet customers’ evolving needs for payment transactions and funds management. We generate revenue under technology services primarily by collecting service fees based on arms lengths negotiation and commercially agreed terms. The pricing of our technology services is highly customer specific, which is negotiated on a case-by-case basis, taking into account multiple factors such as, among others, scope and type of work, the complexity and sophistication required, the length of the underlying project and competitors’ pricing.

Account and E-Wallet

We provide merchants and enterprises in China and globally with integrated account and e-wallet services that primarily include the following:

- Through offering account and e-wallet service, we help enterprises to digitalize the payment transactions with their counterparties along the entire supply chain and distribution channels, and effectively manage the expenses and the reimbursements of their employees.
- Through offering e-wallet services, we help merchants to manage and monitor their funds on a real-time basis on various e-commerce platforms and make fund transfers through extensive payment channels.

The number of our active domestic enterprise customers using our account and e-wallet service increased to 485 in 2022, representing a CAGR of 116.0% from 2020 to 2022, and further increased to 674 for the 12 months ended September 30, 2023.

Software Development

We offer software development services to share our unique technological capabilities with our customers. Based on our extensive market and industry insights, we provide enterprises software development services.

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Other Business

In addition to our core business to provide digital solutions, during the Track Record Period, we also provided property rental with respect to our self-owned properties, as well as micro-loan and factoring services which have been discontinued since May 2021.

Property Rental

We own Lianlian Tower in Hangzhou, China. Lianlian Tower is partly used as our office space and partly rented out to other tenants. For additional details on Lianlian Tower, see “– Properties.” We generate revenue primarily from the rental fees paid by our tenants.

Micro-loan and Factoring

We derived a small portion of our revenue from micro-loan and factoring services during the Track Record Period. We discontinued our micro-loan and factoring services 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. See “Financial Information” and “Appendix I – Note 32” for additional details.

On the basis of confirmation from relevant regulatory authorities confirming that (i) the entities engaging in micro-loan services had not been subjected to any disciplinary actions for suspected illegal or non-compliant behavior and there were no reports of significant illegal activities or major administrative penalties regarding the entities engaging in micro-loan services; and (ii) the entities engaging in factoring services had always complied with the relevant laws, regulations, and normative documents concerning commercial factoring and there were no violations of such regulations or instances of administrative penalties, our PRC Legal Advisor is of the view that our historical small loan and factoring businesses were legally compliant during the Track Record Period.

BUSINESS PARTNERS

We have built a wide network of partners that support our digital payment and value-added services. Our partners help deliver differentiated and increased variety of experience for our customers. We have established strategic partnerships with various types of business partners, including e-commerce platforms, commercial banks, clearing institutions and third-party service providers.

These partnerships cover a broad range of activities including payment settlement, foreign exchange service, marketing and logistics services as well as other value-added services to meet the evolving needs of our customers.

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E-commerce Platforms

We work closely with e-commerce platforms in China and abroad. Our e-commerce partners include Amazon, Shopee, Shopify, Shopyy and others. These partnerships provide important avenues for merchants to market their products and services and represent a significant segment of our business operations. Our continued partnership with such platforms is vital as we are expanding our interactions with e-commerce merchants who operate on these platforms. By integrating our services with these platforms, we enable e-commerce merchants to access a vast customer base and expand their reach globally.

In terms of number of customers, Chinese cross-border merchants is our largest customer group during the Track Record Period, who sell products on e-commerce platforms. E-commerce platforms are typically not our direct customers although we may enter into certain commission arrangements with some major e-commerce platforms. Nonetheless, we are able to form a mutually beneficial relationship with e-commerce platforms because we enable Chinese cross-border merchants to run business on such e-commerce platforms, and an increase in the number of merchants who run shops on e-commerce platforms will likely result in higher transaction volumes in e-commerce platforms, boosting the operational performance and financial condition of both e-commerce platforms and us.

For e-commerce platforms with no official payment service provider programs, we typically enter into service agreements with our merchant customers directly. Under such circumstances, we are able to provide digital payment services so long as our merchant customers provide us with required authorizations.

For some e-commerce platforms that have official payment service provider programs, such as Amazon, we enter into service agreements with e-commerce platforms on non-exclusive basis. Some of Chinese cross-border merchants on e-commerce platforms, such as Amazon, choose our payment services for our partnership with such e-commerce platforms. The key terms of the agreements typically include each party’s obligations and rights, and termination terms. According to the agreements, e-commerce platforms are required to indicate us as a third-party payment service provider on their platforms and make our services available to all merchants using their platforms. We are required to provide services to the merchants thereon with compliance with all applicable laws and regulations. We usually do not charge e-commerce platforms for providing services to their merchants, while we directly charge the merchants a fee when merchants use our payment services. Some e-commerce platforms do not charge us any fees, while we pay some e-commerce platforms service charges in the form of certain recurring fixed fees or revenue sharing fees based on a percentage of our TPV/revenue generated from the services we provided through their platforms for providing payment and marketing cooperation covering our pay-in, pay-out, acquiring and/or foreign exchange services. We incurred approximately RMB1.3 million, RMB3.5 million, RMB3.1 million, and RMB2.5 million service charges to e-commerce platforms under digital payment services in 2020, 2021, 2022 and for the nine months ended September 30, 2023, respectively, which accounted approximately 0.6% to 1.7% of our total cost of sales during the Track Record

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Period. Our agreements with e-commerce platforms will be terminated at any time and for any reason by either party by giving advance written notice. The duration of our agreements are typically one year and will be automatically extended upon expiration.

TPV from e-commerce platforms constituted approximately 10.3%, 10.4%, 7.9% and 5.8% of total TPV of digital payment services in 2020, 2021, 2022 and the nine months ended September 30, 2023, respectively. TPV from e-commerce platforms constituted approximately 82.2%, 74.9%, 67.6% and 62.0% of TPV of global payment services in 2020, 2021, 2022 and the nine months ended September 30, 2023, respectively.

To solicit new and retain existing e-commerce platform partners, we invite our merchants and enterprises to establish their stores or services on such platforms and host certain marketing and promotion sessions with e-commerce platforms and customers to enlarge e-commerce platforms’ branding and presence. In addition, we also provide customized products and services to certain e-commerce platforms to enhance our cooperation.

With respect to customer solicitations, we launch (i) online marketing activities through social media and search engine websites, (ii) offline marketing sessions such as industry seminars or summits, and (iii) marketing collaboration with various enterprises such as logistic companies to acquire new customers from e-commerce platforms. For the retention of our existing customers, we provide (i) an efficient user operation mechanism with a loyalty program, (ii) a professional account manager team to ensure responsiveness and quality of service (iii) value-added services such as helping customers to expand sales on e-commerce platforms, supports for global taxation payment and advertisement, and (iv) tailored payment methods for different customers.

We understand a healthy relationship with e-commerce platforms is mutually beneficial. Therefore, we try to strengthen our partnership with e-commerce platforms through various initiatives, including, among others, conducting joint online and offline marketing campaigns to attract high-quality merchants and utilizing our extensive merchant database and sales resources to recommend suitable merchants to e-commerce platforms. For example, in 2023, we worked with a major e-commerce platform to conduct marketing campaigns in China. During the process, they acquired hundreds of merchants and recommended such merchants to utilize our digital payment services. Additionally, we collaborate with e-commerce platforms to improve cost-efficiency by enhancing our solutions and offering special rates to reduce merchants’ operating costs. Together, we support merchants’ stores and improve their operating efficiency. Moreover, drawing on our expertise in payment industry, we assist e-commerce platforms to expand into international markets and ensure the provision of reliable payment solutions to meet new payment needs. We believe such efforts will reinforce our collaboration with e-commerce platforms and drive mutual growth.

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Commercial Banks

Our partnerships with commercial banks are instrumental in providing the necessary payment infrastructure and channels for our customers. We collaborate with a number of global and local banks to ensure seamless, efficient and secure facilitation of payments. Global banks specialize in global liquidity management, while local banks possess strong distribution and payment capabilities within specific regions. Due to varying financial regulations across countries, certain business activities can only be conducted through cooperating banks. As a result, we need to maintain robust cooperation with local banks to meet regulatory requirements and optimize our service offerings.

For digital payment services, we partner with global and local commercial banks that provide us with access to their payment infrastructure and channels. Commercial banks provide us with access to their payment channels, which facilitate payment transactions through an electronic trading interface connecting our trading facility to an interface developed by our commercial bank partners using electronic, computer-based or web-based means, such as a website or a mobile device. We pay processing fees, which are typically equal to a certain percentage of the payment volume to commercial banks. We negotiate the fees with each bank on a case-by-case basis. Our processing fees to commercial banks were RMB120.4 million, RMB103.1 million, RMB99.2 million, RMB74.3 million and RMB107.7 million in 2020, 2021, 2022 and for the nine months ended September 30, 2022 and 2023. The confidentiality term of our agreements with commercial banks required both parties to protect confidential and/or personal information learned about the other. We agreed to maintain adequate security procedures and take reasonable precautions to prevent the misuse, unauthorized or inadvertent disclosure, or loss of confidential information. Commercial banks may terminate the agreements if (i) we fail to protect customers' information which adversely affect their rights, (ii) our merchant customers or we engage in activities that violate the laws, regulations, or relevant provisions of respective countries or regions, or (iii) we lose payment qualifications like our payment licenses in relevant jurisdiction. Our agreements with commercial banks typically have a term of one year subject to automatic renewal, absent written objection from either party. Our agreements with commercial banks usually subject us to the responsibility of screening merchant customers and their payment transactions to ensure their authenticity. Under such agreements, we are typically required to establish transaction authenticity verification systems to monitor fraudulent payments on a real-time basis. We are typically required to assume all losses arising from fictitious merchants or payment transactions.

During the Track Record Period, we cooperated with 40, 49, 57 and 61 third-party payment channels in 2020, 2021, 2022 and the nine months ended September 30, 2023, respectively, who are primarily commercial banks and non-bank payment institutions. We will only utilize the third-party payment channels under certain circumstances, such as (i) we do not hold a local payment license in certain countries such as Chile and Colombia, (ii) our own payment channel cannot support certain currencies conversion with other mainstream currencies and (iii) our current existing banking partners cannot provide support based on local regulatory policies. Our PRC Legal Advisor has confirmed that, during the Track Record Period and up to the Latest Practicable Date, we were compliant with relevant laws and

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regulations governing our management and operation of our own payment channels. In addition, we utilized four, six, six and six payment channels of our own during the same periods, respectively. In general, our own payment channels have deeper and better understanding of our business rules and procedures than third-party payment channels. Therefore, we and our own payment channels can together provide time-efficient, seamless and comprehensive solutions to our customers. Notwithstanding the advantages of our own payment channels, we have established the cooperation with a wide range of third-party payment channels, enabling us to choose the suitable payment channels to serve our customers in consideration of transaction scenarios, compliance requirements, pricing and expenses, among other factors.

Clearing Institutions

Our partnership with clearing institutions, such as UnionPay, NetsUnion, Visa, MasterCard and American Express, which enables us to facilitate funds settlement services in China and globally. Since June 30, 2018, all the non-bank payment institutions’ network payment business involving bank accounts in the PRC shall be processed through the NetsUnion. We collaborate with international clearing institutions to tap into their global payment facilitation network, which allows us to directly facilitate foreign card transactions. The clearing institutions we cooperate with provide clearing services for our payment services through their networks. For example, our clearing institution partner UnionPay operates an inter-bank transaction settlement system, which allows the connection and switch between banking systems, and the inter-bank, cross-region usage of bank cards issued by its associate banks. For each transaction they process, they charge an interchange fee based on transaction value or fixed fee. Clearing institutions also provide us with services to support our settlement services to our customers for an extra fee. The clearing institutions provide their own clearing system hardware and software platform for us to process funds, including online transaction inquiry system, providing us with the capability to access transaction information. The clearing institutions may also issue us digital certificates with basic permissions, including initiating and querying transactions as well as refunds, to facilitate us in submitting instructions to them. The clearing institutions are entitled to request for a deposit, based on our credit rating and clearing status. Our processing fees to clearing institutions were RMB19.8 million, RMB36.7 million, RMB41.7 million, RMB29.8 million and RMB28.3 million in 2020, 2021, 2022 and for the nine months ended September 30, 2022 and 2023. Our agreement with clearing institutions typically require us to comply with business rules set by them, including but not limited to (i) ensuring that each transaction we process through clearing institutions is appropriately authorized and meets all security requirements, (ii) complying with laws and industry standards to ensure the security of merchants’ data in the process of transactions, and (iii) implementing fraud prevention measures and monitoring transactions for suspicious activities to protect merchants from fraudulent transactions. During the Track Record Period and up to the Latest Practicable Date, we did not violate any of these business rules in any material aspect. The clearing institutions are entitled to monitor and inspect various aspects of our business operations, including risk management, accounts information and data security. If we fail to meet such standard, or to address the deficiencies or potential risks within a specified period, clearing institutions are entitled to suspend its services or revoke our membership. We

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are also required by the agreement to comply with clearing institution’ standards for developing, verifying and managing merchants for our payment services. The clearing institutions are also entitled to unilaterally terminate the agreements in the event that (i) we utilize their system and services for any illegal purpose, (ii) we engage in any activities that violate the laws, regulations, and relevant provisions, (iii) our actions are detrimental to clearing institutions’ brand and reputation, or (iv) we are incapable of performing our obligations as a result of the commencement of winding-up proceedings or loss of our license or other payment qualifications. Clearing institution provides a safety net in the event of default and we are obliged to indemnify clearing institutions against losses caused by us, fraud conducted by merchants we developed and fictitious transactions we process. During the Track Record Period and up to the Latest Practicable Date, we did not experience any incidents of suspension of services or revocation of membership by clearing institutions that we cooperated with, or provided any indemnifications to the clearing institutions that we cooperated with against losses caused by us or fraud conducted by our customers. During the Track Record Period, we did not incur any losses caused by us or any losses resulted from fraud conducted by our customers, nor had we been penalized by any competent regulators in connection with any fraud cases.

Third-Party Service Providers

We collaborate with a variety of third-party service providers who provide services such as marketing, logistics and other services to support our customers’ business operation. Our third-party service provider partners place their product and service offerings on our platform, which can be easily accessed by our customers. Our platform offers customers a comprehensive interface that gives them visibility into the availability of value-added services and the relevant service providers and provides customers with access to select and utilize such value-added service to be provided by third-party service providers. By working closely with those service providers, we understand their expertise and develop customized payment services and value-added services to support our customers’ evolving business needs.

LianTong

We strategically partner with American Express through the joint venture LianTong, which was established in 2017. LianTong was granted a bankcard clearing business license with long term validity (no expiration date) in June 2020, making it the first Sino-foreign joint venture bankcard clearing institution established in China, according to Frost & Sullivan, followed by Mastercard’s bankcard clearing joint venture in China as approved in November 2023. Pursuant to our agreement with American Express, LianTong has an extendable joint venture term until October 17, 2067, which may be extended at the time of expiration with approval of applicable PRC authorities. Each of the Company and American Express is subject to a ten-year lock-up of equity, voting and economic interest transfer from the date on which LianTong formally commenced licensed business and operation. Upon the expiry of such lock-up period, in the event of a proposed transfer, a transferring party shall serve a written notice to the non-transferring party with final version of the proposed transfer agreement and background information of proposed transfer, and the non-transferring party will have a right

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of first refusal to purchase all of the to-be-transferred equity substantially on the same terms and conditions, or consent to the proposed transfer, in thirty business days. The joint venture agreement between the Company and American Express may terminate upon the expiration of the joint venture term or upon mutual written agreement prior to the expiration of the joint venture term, subject to the approval of the PBOC and other competent authorities. We are not obligated to compensate American Express if we initiate to terminate the joint venture prior to the expiration of joint venture term in accordance with the terms of the joint venture agreement. As of the Latest Practicable Date, the total registered capital of LianTong was RMB5,760 million, among which the Company has fully paid up RMB2,604.6 million of its capital contribution and, to the best knowledge of the Company, American Express has also fully paid up its portion. In July 2023, we made a capital injection of RMB130 million to LianTong. 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. As of the Latest Practicable Date, the Company and American Express hold 45.2% and 54.8% of the equity interest of LianTong, respectively. Upon fulfilling our obligation of LianTong’s registered capital contribution, we are not contractually obligated to make any further capital contribution. However, in the future we expect LianTong to continue to require funding from its shareholders, which may come in the form of capital contributions and/or shareholder loans. The amount and form of fundings will depend on LianTong’s business needs, commercial decisions and applicable regulatory approvals. With respect to capital injections, if a capital injection plan is approved unanimously by the board of LianTong, we will be required to make capital contributions to LianTong together with American Express accordingly, subject to the agreements among LianTong’s shareholders to amend the joint venture agreement and LianTong’s articles of association, as well as approval of applicable regulatory authorities, the result of which involves uncertainty and is time-consuming. We will exercise our right as a shareholder (including through our designated board seats of LianTong who may vote for or against a capital injection plan, and if any one of them votes against a plan, such plan will not pass) and take into consideration our own business strategies and financial position, when a capital injection plan is proposed by LianTong. However, if we do not approve a proposed capital injection plan, LianTong will likely need to seek capital from alternative sources, which may result in the dilution of our equity interest in LianTong, reduction of our influence over LianTong through board representation or else LianTong could cease operations, each of which could have adverse consequences for the Company. See “Risk Factors – Risks Related to Our Business and Industry – We are subject to certain risks relating to Liantong, primarily attributable to our operating loss and share of loss from our investment in LianTong”. We do not have any profit-sharing arrangement with American Express other than the usual distribution of LianTong’s profit/dividend based on shareholding percentage subject to approval by LianTong’s board of directors and applicable regulatory authorities.

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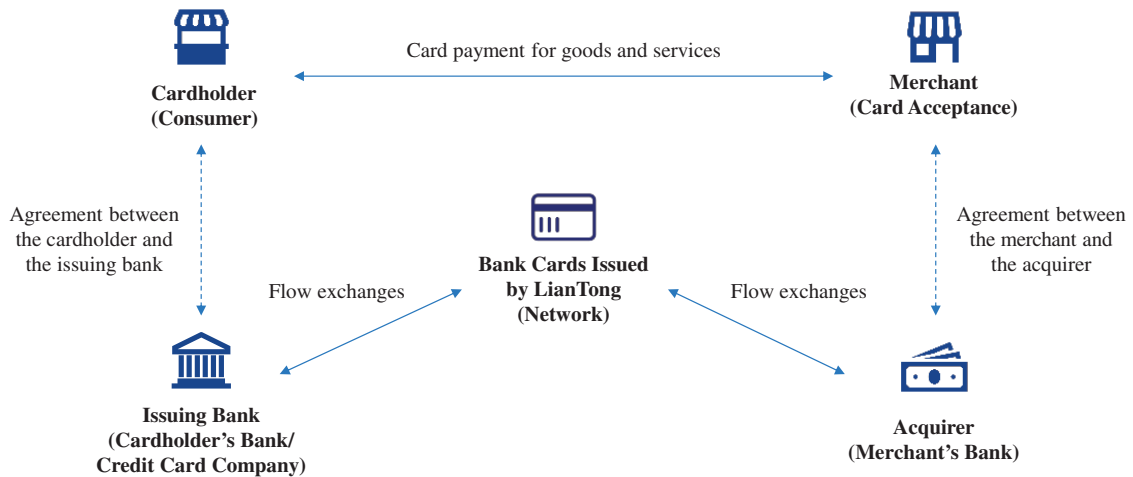
LianTong provides settlement, clearing and related activities for bank cards carrying “American Express” brands issued by card issuing banks in China, offering bankcard clearing and settlement services to issuing banks and merchant acquirers in its network as well as cardholder benefits to Chinese consumers both in China and globally. LianTong’s bankcard clearing services primarily include (i) licensing participant banks to issue American Express branded bankcards, (ii) providing issuing banks and merchant acquirers in its network with bankcard transaction clearing and settlement services, (iii) operating the underlying bankcard clearing system and (iv) other activities to assist in the settlement of funds. According to Frost & Sullivan, LianTong is a new entrant to China’s bankcard clearing market where UnionPay has commanded a predominant position for the past two decades and currently holds a substantial majority of the market share. According to our PRC Legal Advisor, requisite criteria for obtaining bankcard clearing license include registered capital of no less than RMB1 billion, qualified major shareholder(s), possession of standard bankcard clearing system, independent infrastructure and remote back-up system, directors and senior managements with sufficient professional knowledge and the PBOC’s approval. Please refer to “Regulatory Overview – Laws and Regulations Related to Our Business in the PRC – Regulations in Relation to Organizations of Bank Card Clearing Institution” for details. A bankcard clearing license may be revoked if a bankcard clearing organization fails to commence business within the stipulated period, or its license is obtained by unjust means such as fraud or bribery. According to our PRC Legal Advisor, the PBOC is under no legal obligation to conduct regular inspections on bankcard clearing institutions, but LianTong’s operations are subject to supervision of the PBOC. As of September 30, 2023, LianTong cooperated with 22 card issuing banks in China, offering cardholder benefits both in China and overseas. These card benefits have a wide spectrum in dining, shopping, healthcare, hotels, travel, cultural and pats. For example, cardholders of the SPD Bank American Express Platinum Card can enjoy the benefits of complimentary airport transfer, lounge access, hotel nights, theme park tickets and flight delay insurance, upon meeting its transaction value thresholds.

As a bank card clearing network, LianTong works in a four party model and the roles that each involved party of a typical transaction are described below:

- *Network (LianTong)*: clearing and settlement of bank card transactions.
- *Issuing banks*: issue debit/credit cards to their cardholders and consumers, manage their accounts, authorize card transactions and guarantee payments.
- *Acquirers*: provide financial backing and infrastructure necessary for merchants to accept payments from those cards. They are also responsible for securing the flow of data and initial liability in the event of dispute.

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- *Merchants*: accept credit/debit cards for purchase of goods and services at the point of sales.



Note: solely for the illustration purpose of this flowchart and related descriptions, merchants shall include both online and offline merchants.

LianTong’s revenue consists of (i) transaction related fees, including network clearing fees, brand fees, and cross-border transaction service fees from both issuing banks and acquirers; and (ii) card related brand loyalty fees from issuing banks. The transaction related fees, except for certain transaction types, will be recognized at the time of the clearing and settlement, while the brand loyalty fees will be charged on a quarterly basis. The transaction related brand fees and card related brand loyalty fees are charged based on the tier of the bank cards. The cross-border transaction service fees are determined by competitive considerations.

LianTong’s costs consist of (i) variable cost, including incentives, marketing and benefit expense, which is linear with new cards issuing and TPV, and (ii) other costs, including technology and infrastructure, personnel and other operating cost, which are relatively fixed for LianTong’s operation. As the variable costs represent relatively small portion of the total costs and the year-over-year change is not significant, the total costs are expected to be relatively stable, while revenue is expected to increase along with the growth in new cards issuing and TPV. During the Track Record Period, fixed costs represented approximately 55% to 85% of LianTong’s total costs and expenses; and variable costs represented approximately 15% to 45% of LianTong’s total costs and expenses. During the Track Record Period, LianTong’s fixed costs as a percentage of total costs and expenses decreased by year/period, and correspondingly LianTong’s variable costs as a percentage of total costs and expenses increased by year/period, primarily because the components of fixed costs, including technology and infrastructure, personnel and other operating cost, are relatively stable in nature and variable costs are linear with growing new cards issuing and TPV.

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The following tables set forth LianTong’s key operating data for the Track Record Period:

	Year Ended December 31,			Nine Months Ended September 30,
	2020	2021	2022	2023
	Total transaction volume (RMB in millions)	2,883	48,344	115,691
Number of total transactions (in thousands)	11,436	178,174	377,724	420,812

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	Cumulative number of issued cards	1,088	7,651	13,897

(in thousands)

As of the Latest Practicable Date, we hold 45.2% of the equity interests in LianTong. We do not have control over LianTong’s operation and also do not consolidate LianTong into our financial statement. We and American Express has the right to appoint two and three of the five directors on the board of directors of LianTong, respectively. American Express has the right to appoint the chairman of the board. LianTong’s adoption of board resolutions requires the affirmative vote of a simple majority of the directors present at the board meeting, except that certain protective rights (such as change of registered capital, merger or division, liquidation, winding up, and amendment of articles of association) will be subject to the unanimous affirmative vote of all directors present at the board meeting. In addition, in terms of composition of the management organization of LianTong, American Express has the right to nominate each of LianTong’s executive personnel, including its CEO, CFO, CTO, COO, general counsel and any other executive personnel of LianTong, while the Company only has the right to nominate a deputy CFO and/or a deputy CTO. In particular, day-to-day and operational management of LianTong rest with representatives nominated by American Express (with approval by the LianTong board).

We strategically invested in LianTong with a long-term goal, considering: (i) its bankcard clearing business license has significant strategic value and, as an important part of China’s financial infrastructure, is essential in the payment industry value chain, (ii) as the first Sino-foreign joint venture bankcard clearing institution granted license in China, it is positioned with great growth potential in transaction related services and card related services, (iii) we may increasingly grow business synergy with LianTong in developing LianTong’s local network, products and services, e-commerce user cases, economy of scale, and (iv) LianTong may leverage on the strength of American Express, especially in global network, products

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developments and operation support including those in the area of technology. We are confident that the businesses of LianTong will bring economic benefits to us and our shareholders in the long term once it comes out of the investment phase.

LianTong’s clearing system is complex, and consistent with industry norm, its establishment and maintenance require significant initial investment, especially in areas of partner incentives, marketing and benefit expenses, technology and infrastructure, service outsourcing cost, personnel and other operating cost. According to Frost & Sullivan, it typically takes a number of years for a new player like LianTong to reach the breakeven point. Since the commencement of LianTong’s operations in August 2020, the joint venture has invested primarily in (i) technology and infrastructure for network and infrastructure build-up and product developments; and (ii) new customer acquisition and acceptance coverage. In 2020, 2021, 2022 and nine months ended September 30, 2023, as LianTong expanded its scale of operations, of LianTong’s operating losses: (i) its technology and infrastructure expenses, as well as the selling and marketing expenses in connection with incentive costs paid to issuing banks and acquiring banks/institutions, promotion, employee benefits for business development personnel and premium services for cardholders represented approximately 55% to 80%, and (ii) general and administrative expenses in connection with depreciation and amortization expenses as well as employee benefit expenses represented approximately 25% to 40%. The COVID-19 outbreak negatively impacted both consumer traveling and spending and thus payment behavior, resulting in underperforming sales volume and revenue for LianTong since its commencement of operation. In addition, the Notice on Credit Card Business promulgated in July 2022 related to the improvement of the quality of overall credit card industry slowed down the growth of LianTong’s new card issuance and hence negatively impacted its revenue growth in 2022. See “Regulatory Overview – Regulations in Relation to Credit Card Business” for details.

The manner in which revenue and costs are recognized also explains LianTong’s loss position. The total incentives for new card issuance are accounted for as cost at the time of acquisition of a consumer whilst revenue from the cards, including brand royalty fees and transaction related fees, will be realized over the lifetime of the cards, typically five years, which leads to a disproportionate recognition of the costs compared to revenue at the initial stage of LianTong’s business when it is focusing on the acquisition of new customers.

Leveraging China’s expansion of external opening of the financial sector and deepening of financial supply-side reform, we believe LianTong is in a good position to capture the future market developments. We believe that LianTong will continue to build its cardholder base, expand its acceptance network, and improve its operation efficiency and effectiveness. As such, it is anticipated that the initial investment in LianTong will be recovered in the long term, paving the way for LianTong to attain profitability. Our joint venture agreement with American Express does not include any restrictions over dividend distribution, other than approval by LianTong’s board of directors and applicable regulatory authorities. Subject to the approval of the board of directors and when the initial shareholder investment has been fully recouped, shareholders of LianTong may receive dividend distribution.

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Zhong Pu Lian Technology

In February 2023, we established Zhong Pu Lian Technology with COSCO SHIPPING Logistics and Supply Chain Management Co., Ltd. (中遠海運物流供應鏈有限公司) and Hangzhou P&T Logistics Technology Co., Ltd. (杭州普泰物流科技有限公司) and Zhong Pu Lian Hai Chuang (Jiaxing) Enterprise Management Company (Limited Partnership) (中普連海創(嘉興)企業管理合夥企業(有限合夥)). Zhong Pu Lian Technology has a registered capital of RMB10 million. We, COSCO SHIPPING Logistics and Supply Chain Management Co., Ltd. and Hangzhou P&T Logistics Technology Co., Ltd. have each contributed RMB3 million. Zhong Pu Lian Hai Chuang (Jiaxing) Enterprise Management Company (Limited Partnership) has subscribed RMB1 million and is agreed to contribute in future. None of the shareholders has any additional investment commitments to Zhong Pu Lian Technology. Zhong Pu Lian Technology provides customers with a comprehensive cross-border logistics solutions through its online cross-border logistics platform and offline industrial centers. Its establishment and business operation leverages its shareholders’ capabilities, including COSCO SHIPPING Logistics and Supply Chain Management Co., Ltd.’s distinct advantage in cross-border logistics, Hangzhou P&T Logistics Technology Co., Ltd.’s technology capabilities, our Company’s customer base and insights in cross-border e-commerce, and the extensive experience in the logistics sector of the two partners of Zhong Pu Lian Hai Chuang (Jiaxing) Enterprise Management Company (Limited Partnership). Zhong Pu Lian Hai Chuang (Jiaxing) Enterprise Management Company (Limited Partnership) is a limited partnership entity with two partners, who act as general manager and deputy general manager of Zhong Pu Lian Technology, respectively.

We do not consolidate Zhong Pu Lian Technology into our financial statements. Our investment into Zhong Pu Lian Technology is primarily aiming to address the substantial needs of our customers for logistics services in the context of cross-border e-commerce operations. We serve a large number of customers engaging in cross-border business through digital payment services, whereas we have earned insights relating to the information flow and fund flow in their business operations and such customers’ pain points in logistics costs and reliability. Through Zhong Pu Lian Technology, we help empower customers, particularly small and medium-sized businesses, who may not have strong bargaining power, in receiving customized logistics solutions for mainstream sea freight or connecting to reliable and affordable international logistic services. Accordingly, through such operation support services, we are also able to increase the loyalty of our customers and the deepen our insights into cross-border e-commerce from logistics perspective.

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OUR TECHNOLOGY AND RESEARCH AND DEVELOPMENT

Research and Development

Overview

We believe that R&D is critical to our business operation, future growth and ability to remain competitive in the industry. We are committed to developing R&D capabilities with a focus on the application of the latest technologies, including artificial intelligence and blockchain, to drive the upgrade and innovation of digital solutions, optimize our technology platform and enhance our user experience and operation efficiency. We have submitted an application for the virtual asset service provider (VASP) license to the Securities and Futures Commission of Hong Kong to establish a virtual asset trading platform in Hong Kong. We expect such license and platform to offer us additional options to expand our service coverage and improve the quality and safety of our services.

As of September 30, 2023, our R&D team consisted of 321 employees who have expertise in system development, infrastructure, big data, artificial intelligence, system functioning, IT management, and operation and maintenance. We established two departments within our R&D team, namely a technology center and data intelligence center. In addition to building up in-house R&D capabilities, we also collaborate with research institutions to explore the utilization of the latest technologies. In 2020, 2021, 2022 and for the nine months ended September 30, 2023, we incurred research and development expenses of RMB124.1 million, RMB174.2 million, RMB210.4 million and RMB188.6 million, respectively, representing 21.1%, 27.1%, 28.3% and 25.6% of our revenue, respectively. We have developed R&D projects with the application of the latest technologies to enhance the quality of our products and efficiency of services. The AML system we developed is built upon an in-memory feature computation engine and a real-time decision-making engine. This system utilizes big data to refine customer identity verification, manages customer risk categorization, and automatically filters, analyzes, and reports suspicious transactions. In most scenarios, the system can make real-time decisions, thereby improving the efficiency of detecting suspicious transactions and combating money laundering. We also developed the AIGC (“**AI-Generated Content**”) customer service system. It utilizes technologies derived from Large Language Models, such as supervised fine-tuning techniques based on large-scale open-source models, caching technologies anchored in semantic similarity, and content filtering methods. This system can provide customers standard answers based on our customer service knowledge database, as well as personalized services based on our customer tags. It significantly enhances our problem resolution rates and service efficiency, improving our customers’ experience. We have utilized two local data centers that meet business and Chinese regulatory requirements for system availability. Additionally, we utilize cloud services and have established a cloud-based data center, where the data is stored in the private cloud. We are committed to investing further in our research and development capabilities and expanding our research and development team to support our business development and maintain our technological advantages.

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Technology Center

Our technology center serves as the core of our technology capabilities and focuses on enhancing our technology platform, exploring the application of the latest technologies, and developing and upgrading solutions across various industries. Our technology center comprises a product development, quality assurance, operation and maintenance, information security and other teams.

Data Intelligence Center

Our data intelligence center was established in March 2021 as part of our digitalization strategy, aiming to create a data hub and build a data-driven operational, marketing and risk management system in order to manage our data and information more effectively. Its primary focus is on managing our big data platform, including data asset accumulation and management, data application, big data analytics and artificial intelligence algorithms.

Proprietary Technology Platform

We self-developed and designed our technology platform to support our business operation. Our proprietary technology platform embeds stable, secure and flexible systems that cover payment, fund transfer, global fund distribution, foreign exchange processing, risk management, AML assessment and transaction authenticity verification. Moreover, our technology platform is highly scalable, which allows us to quickly support new industries and new business scenarios according to business needs, enabling us to continuously innovate our solutions.

Payment and Fund Transfer Platform

Our core global and domestic payment and fund transfer service is supported by our proprietary payment and fund transfer platform. This platform employs the distributed multi-active architecture, which has the flexibility to integrate into different systems. Our payment and fund transfer platform provides us with improved payment network management capabilities and realizes payment network routing functions which help to support the back-end transaction of millions of payments every day. Combined with our risk control system, it provides customers with safe, stable and convenient payment services, and at the same time enables multi-currency settlement needs of merchants globally and provides flexible fund management capabilities.

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Global Fund Distribution Technologies

The global fund distribution technologies comprise two key engines, namely transaction identifying engine and routing decision engine. The transaction identifying engine extracts the characteristics of each fund transaction and submits it to the routing engine for execution. The routing engine, based on the preset system rules and algorithms, transaction features, routing factors and payment network availabilities, complete the transaction in the most efficient and effective manner.

Our global distribution fund technology is utilized for cross-border RMB cash withdrawal, foreign currency payment, fund transfer, tax payment and pay-in and pay-out transactions for cross-border payments. It serves an important function of supporting the fund flow needs of domestic cross-border merchants and overseas merchants selling goods and services into China.

Foreign Exchange Processing Technology

Our foreign exchange service capability is supported by our proprietary foreign exchange processing technology. The proprietary foreign exchange processing technology employs the distributed multi-active architecture and serves as the backbone of our foreign exchange service. It is an automated system that functions based on preset instructions entered into the system and processes orders without human intervention. It has a built-in monitoring system to check foreign exchange liquidity requirements and reduce market risks and delays.

The foreign exchange processing technology functions through collaboration with many of our partner banks and clearing institutions to obtain the latest market rates and trends to ensure we provide favorable rates to our customers.

Risk Management System

Our risk management system plays an important role in monitoring our transaction risks. We developed the system by employing big data, real-time risk control features, risk measurement algorithms and decision engine technology that also embeds expert rules and machine learning models. Our risk management system has automated decision-making methods to achieve millisecond-level decision-making capabilities which have high accuracy and effectiveness. It is further customized to meet the different risk tolerance and management requirements of our different business segments.

In addition, our risk management system provides pre-, ongoing, and post-risk control for our payment business to ensure transaction security and fund security.

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AML System

Our AML system is a key part of our overall risk management and helps ensure our compliance with important AML rules and regulations. The system design is based on multi-dimensional and multi-scenario anti-money laundering monitoring rules. Its core function includes the ability to conduct risk calculation, correlation of billions of transaction data, KYC review and customer due diligence to create a customer risk rating model and achieve millisecond-level risk identification for each real-time transaction. By utilizing big-data analysis, conducting fund flow monitoring and auditing for suspicious transactions including large-value transactions, it is capable of evaluating the compliance and security of transactions. It also provides AML risk screening and monitoring capabilities that include pre-examination, ongoing monitoring and post-act risk management services which are tailored to customer risk levels. During the Track Record Period and up to the Latest Practicable Date, we are in compliance with the relevant anti-money laundering laws and regulations in the jurisdictions we operate in all material respects.

Transaction Integrity Verifying System

Our transaction integrity verifying system helps to identify the authenticity of transactions completed online. In the context of funds collection and digital payment, it is important to verify that transactions are legitimate business dealings and are not made for unlawful purposes. Our built-in automated data collection, analysis, processing and identification control significantly improves the efficiency of transaction verification. Our proprietary technology helps to replace the traditional manual one-by-one review process and is able to undertake a vast number of transaction analyses with high efficiency and reduced errors.

PRIVACY AND DATA SECURITY

The protection of privacy and data security is one of our highest priorities. We have designed a series of strict data security policies to ensure that the collection, use, storage, transmission and dissemination of data are in compliance with all applicable laws and regulations, optimize data governance, and protect the benefits of our customers, employees and other third parties. Our policies include data management, operational and maintenance procedures, and business system access controls. See “Regulatory Overview” for additional information on privacy and data security regulations.

We carry out scenario-based management to address the threats and risks of data availability, integrity and confidentiality. We strictly limit and monitor our employee access to user data by implementing a robust internal authentication and authorization system. It aims to ensure confidential and important data can only be accessed through computers for authorized use and only authorized staff can access those computers. Our employees only have access to data which is directly relevant and necessary for their responsibilities and for limited purposes and are required to verify authorization upon every access attempt. We provide data privacy training to authorized employees and require them to report to us promptly on any potential data leakage.

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Data Usage

We mainly collect and store data relating to background information of customers, primarily including merchants and enterprises identification information such as address, contact information and licenses, which we obtained through KYC/KYB procedures, as well as transaction data when providing digital payment services, primarily including payment time, location, amount, channel, type and terminal of the transaction, identity certification and transaction authorization information. Such information is collected with prior consent in accordance with applicable laws and regulations. We have adopted a standard data usage and privacy policy, which is provided on our websites. Specifically, we undertake to manage and use the user data in accordance with applicable laws and make reasonable efforts to prevent the unauthorized access, breach, tampering or loss of personal information. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any claims by users or penalties from regulatory authorities regarding unauthorized use of, or leakage of, personal information, which had caused a material and adverse effect on our business, financial condition or results of operations.

Data Sharing and Transfer

We do not share or transfer information and data collected or preserved by us to any person, unless with prior explicit consent. Without consent from our users, we are prohibited from disclosing users' data to any third party, unless such disclosure is mandated by a court or administrative order. We have adopted robust internal rules and procedures designed to prevent illegal and/or unauthorized cross-border transmission of data. We require any cross-border transferring data to go through strict assessment and approval procedures in order to ensure that only valid and legitimate requests are executed. We deploy various technologies to ensure the safety of data and monitor and record the entire process of any cross-border transmission of data. We also provide trainings for employees to prevent any improper or unauthorized cross-border transmission of data.

Data Protection

We recognize the importance of life-cycle data management, from data entry to data destruction. We employ various technologies to protect the data with which we are entrusted. For example, we store user data in encrypted format. We generally de-identify and encrypt confidential personal information and take other technological measures to ensure the secure processing, transmission and usage of data. If such personal information is relevant to our business, we will minimize our employee access to such information and closely monitor their access frequency. We also adopt a combination of full backup and incremental backup to ensure that the data we collect is well maintained. We use distributed storage of data with multiple data replicas to increase security level. In particular, we have been constantly improving our internal classification and grading system of sensitive data. All sensitive data would be protected by field-level encryption. Sensitive application programming interface parameters are adopted to prevent data leakage or loss during circulation. As of the Latest Practicable Date and during the Track Record Period, we have not experienced any incidents of data leakage.

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Data Security Awareness

We also enter into confidentiality agreements with our employees. The confidentiality agreements provide that, among other things, our employees are legally obligated not to share, distribute or sell confidential information to any party, including other employees who otherwise have no access to such information. Our employees are also legally obligated to return all confidential materials in their possession upon cessation or termination of their employment and will remain obligated to maintain confidentiality of such materials thereafter. Our employees may be subject to penalty if they breach their confidentiality obligations or otherwise commit misconduct resulting in a leakage of confidential information.

Cybersecurity Risk Management

We operate robust application and infrastructure security controls, which are designed to prevent, identify and respond to information security threats. We have adopted a standard operation procedure to address any potential hacking or data leakage incidents. At the terminal security level, our system is able to identify terminal risks and provide traceability analysis for security risk mitigation with the assistance of terminal data loss prevention products. We closely monitor the flow of sensitive user data on our terminals and will create alerts in a timely manner when any abnormality is detected. We engage third-party cybersecurity companies to conduct regular penetration tests to identify weaknesses in our system and evaluate its security. If an issue is identified, we will take prompt actions to adjust or upgrade our system and mitigate any potential problems that may undermine the security of our system.

During the Track Record Period and up to the Latest Practicable Date, we are in compliance with the applicable laws and regulations relating to user data privacy and security in all material respects on the following basis that (i) we have established internal policies and procedures with designated responsible personnel in accordance with the applicable laws and regulations relating to user data privacy and security, (ii) we had not been any claims by users or penalties from regulatory authorities regarding unauthorized use of, or leakage of, personal information, which had caused a material and adverse effect on our business, financial condition or results of operations, and (iii) as of the Latest Practicable Date, pursuant to the Security Assessment Measures for Outbound Data Transfers (《數據出境安全評估辦法》), we have submitted the application materials of outbound data transfer security assessment regarding a number of matters, such as, among others, cross-border payment, foreign exchange services, anti-money laundering and compliance as well as acquiring services and such application has been approved by the Cyberspace Administration of China.

According to the Cybersecurity Review Measures, (i) any procurement of network products and services by critical information infrastructure operators, which affects or may affect national security, or (ii) any data processing activities by network platform operators, which affects or may affect national security, including that any network platform operators which has personal information of more than one million users and is going to be [REDACTED] abroad, shall be subject to cybersecurity review.

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As advised by the PRC Legal Advisor, the Company does not need to initiate an application for cybersecurity review as (i) the Group’s main businesses are digital payment services and digital value-added services, which neither involve the operation of critical information infrastructure in important industries and fields, nor involve important network facilities and information systems that, if destroyed, malfunctioned, or leaked, could seriously endanger national security, national economy and people’s livelihood, and public interests; (ii) the Company’s proposed [REDACTED] is not considered as [REDACTED] aboard; and (iii) the PRC Legal Advisor had made a telephone consultation with the China Cybersecurity Review Technology and Certification Center who does not disagree with the view that an application of cybersecurity review is not necessary.

SALES AND MARKETING

We enhance our brand awareness through the provision of high-quality services and marketing initiatives. We utilize effective online and offline branding and marketing efforts to acquire customers directly through our platforms. We also expand our customer base through engaging third-party service providers.

We have international and domestic marketing departments to enhance brand awareness and promote our products and services through offline and online channels. In order to increase our customer base and their level of engagement, we have developed various marketing strategies, which are deployed and monitored on a regular basis. We utilize online marketing channels, such as app store advertising, search engine optimization and marketing campaigns on popular social media platforms, to reach our targeted audience base. Moreover, we also participate in various offline events, such as industry conferences, product launches and industry salons to showcase our technological advancements and develop relationships with industry participants. From time to time, we provide incentives in the form of discounts or coupons to attract more customers to our platform. In addition, we have actively participated in government initiatives to promote digital commerce and enhance cooperation of various stakeholders. For example, in association with the China Council for the Promotion of International Investment, we launched a program in 2023 to promote China’s exports through online digital channels to reduce barriers and costs.

As of September 30, 2023, we had a team of 296 employees focusing on our sales and marketing efforts. By leveraging the expertise of our sales and marketing team, we enhance our market penetration and effectively promote our offerings in various sectors, establishing a strong presence and driving sustainable growth.

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CUSTOMERS AND SUPPLIERS

Customers

Our customers primarily include Chinese cross-border merchants and enterprises, overseas merchants and enterprises and domestic enterprises.

For the years ended December 31, 2020, 2021, 2022 and for the nine months ended September 30, 2023, the aggregate revenue generated from our top five customers in each year of the Track Record Period amounted to RMB61.1 million, RMB71.7 million, RMB63.1 million and RMB70.5 million, which accounted for 10.4%, 11.1%, 8.5% and 9.6% of our total revenue, respectively. For the same periods, revenue from the largest customer amounted to RMB26.0 million, RMB36.7 million, RMB17.5 million and RMB21.8 million, which accounted for 4.4%, 5.7%, 2.4% and 3.0% of our total revenue, respectively. The following tables set out details of our five largest customers in each year/period of the Track Record Period:

Rank	Customers	Type of Products and Services Purchased	Background	Approximate Years of Business Relationship as of the Latest Practicable Date	Payment Terms	Revenue ⁽ⁱ⁾⁽ⁱⁱ⁾	% of Our Total Revenue
<i>(RMB in thousands)</i>							
<i>Year ended December 31, 2020</i>							
1	Customer A	Account and e-wallet services and digital payment services	A big data technology company in the software and IT service industry, subsidiary of a listed company on the Shanghai Stock Exchange whose revenue is RMB7.62 billion in 2022, and established in Zhejiang 2020 with a registered share capital of RMB100.00 million	3 years	Due in 1 month	26,007	4.42%
2	Customer B	Digital payment services	A privately owned technology company in the software and IT service industry, established in Beijing 2016 with a registered share capital of RMB300.00 million	6 years	Instantly charged	16,328	2.77%

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Rank	Customers	Type of Products and Services Purchased	Background	Approximate Years of Business Relationship as of the Latest Practicable Date	Payment Terms	Revenue ⁽ⁱ⁾⁽ⁱⁱ⁾	% of Our Total Revenue
						<i>(RMB in thousands)</i>	
3	Customer C	Digital payment services	A privately owned information technology company in the software and IT service industry, established in Shanghai 2015 with a registered share capital of RMB26.93 million	4 years	Due in 1 month	7,830	1.33%
4	Customer D	Digital payment services	A privately owned Fund Sales company in financial industry, established in Beijing 2015 with a registered share capital of RMB100.00 million	5 years	Due in 1 month	6,573	1.12%
5	Customer E	Digital payment services	A privately owned financial information service company in the software and IT service industry, established in Shanghai 2012 with a registered share capital of RMB2 billion	5 years	Instantly charged	4,352	0.74%

BUSINESS

Rank	Customers	Type of Products and Services Purchased	Background	Approximate Years of Business Relationship as of the Latest Practicable Date	Payment Terms	Revenue <i>(RMB in thousands)</i>	% of Our Total Revenue
<i>Year ended December 31, 2021</i>							
1	Customer A	Account and e-wallet services and digital payment services	A big data technology company in the software and IT service industry, subsidiary of a listed company on the Shanghai Stock Exchange whose revenue is RMB7.62 billion in 2022, and established in Zhejiang 2020 with a registered share capital of RMB100.00 million	3 years	Due in 1 month	36,722	5.71%
2	Customer F	Digital payment services	A digital freight platform in the software and IT service industry, listed on the New York Stock Exchange, and established in Jiangsu 2017, with a revenue of RMB6.73 billion in 2022	6 years	Due in 1 month	11,990	1.86%
3	Customer G	Account and e-wallet services and digital payment services	An investment company in retailing industry, subsidiary of a listed company on the Euronext Paris stock exchange whose revenue is EUR28.59 billion in 2022, and established in Shanghai 2001 with a registered share capital of USD224.00 million	2 years	Due in 1 month	9,153	1.42%
4	Customer D	Digital payment services	A privately owned Fund Sales company in financial industry, established in Beijing 2015 with a registered share capital of RMB100.00 million	5 years	Due in 1 month	8,570	1.33%
5	Customer C	Digital payment services	A privately owned information technology company in the software and IT service industry, established in Shanghai 2015 with a registered share capital of RMB26.93 million	4 years	Due in 1 month	5,294	0.82%

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Rank	Customers	Type of Products and Services Purchased	Background	Approximate Years of Business Relationship as of the Latest Practicable Date	Payment Terms	Revenue <i>(RMB in thousands)</i>	% of Our Total Revenue
<i>Year ended December 31, 2022</i>							
1	Customer A	Account and e-wallet services and digital payment services	A big data technology company in the software and IT service industry, subsidiary of a listed company on the Shanghai Stock Exchange whose revenue is RMB7.62 billion in 2022, and established in Zhejiang 2020 with a registered share capital of RMB100.00 million	3 years	Due in 1 month	17,486	2.35%
2	Customer H	Digital marketing services	A digital payment service provider in the payment industry, subsidiary of a listed company on the New York Stock Exchange, and established in Singapore 2007, with a revenue of USD3.29 billion in 2022	2 years	Due in 3 months	14,955	2.01%
3	Customer I	Digital marketing services and digital payment services	A privately owned supply chain management company in technical service industry, established in Jiangsu 2014 with a registered share capital of RMB28.33 million	1 year	Due in 1 month	11,291	1.52%
4	Customer G	Account and e-wallet services and digital payment services	An investment company in retailing industry, subsidiary of a listed company on the Euronext Paris stock exchange whose revenue is EUR28.59 billion in 2022, and established in Shanghai 2001 with a registered share capital of USD224.00 million	2 years	Due in 1 month	9,959	1.34%
5	Customer J	Digital payment services	A technology group operating e-commerce platform with main business in information technology service industry, established in 2017 and based in Zhejiang province	2 years	Due in 1 day	9,445	1.27%

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Rank	Customers	Type of Products and Services Purchased	Background	Approximate Years of Business Relationship as of the Latest Practicable Date	Payment Terms	Revenue <i>(RMB in thousands)</i>	% of Our Total Revenue
<i>For the nine months ended September 30, 2023</i>							
1	Customer K	Digital Marketing services, and digital payment services	A commercial bank in financial industry, established in Beijing 1996 with a registered capital of RMB43.78 billion, with a revenue of RMB142.48 billion in 2022	7 years	Due in 1 month	21,799	2.96%
2	Customer L	Digital payment services	A commercial bank in financial industry, established in Shanghai 2015 with a registered capital of RMB3.00 billion, with a revenue of RMB970.16 million in 2022	2 years	Due in 1 month	15,517	2.11%
3	Customer N	Account and e-wallet services and digital payment services	A commercial bank in financial industry, established in Zhejiang 1993 with a registered capital of RMB21.27 billion, with a revenue of RMB61.15 billion in 2022	2 years	Due in 1 month	12,258	1.66%
4	Customer O	Digital marketing services and digital payment services	A private telecommunication company, established in Beijing 2015, with a registered capital of RMB31.9 billion	1 year	Due in 1 month	10,986	1.49%
5	Customer P	Digital marketing services	A private company in virtual commercial cards, foreign exchange and remittance industry, established in Hong Kong 2018.	1 year	Due in 3 months	9,955	1.35%

Notes:

- (i) The revenue does not include foreign exchange commission income, mainly because foreign exchange transactions are settled collectively and are not separately allocated to individual customers on the books.
- (ii) The revenue of a customer herein is recorded on a consolidated basis, if, to the best of our knowledge, two or more entities from whom we generate revenues from providing services are controlled by the same group company during the Track Record Period.

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To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, our customers were Independent Third Parties. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

Agreements with Customers

In general, we enter into a standard form agreement with each customer for our digital payment services on a non-exclusive basis. The form agreement provides our service scope and service charges. During the Track Record Period, the substantial majority of our revenue is generated from our digital payment services. In 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, revenue from digital payment services represents 91.4%, 91.3%, 84.8%, 85.8% and 84.9% of our total revenue, respectively. The below table summarizes our key terms included in our standard form agreement for digital payment services with our customers:

Terms	Our agreements with customers for digital payment services generally do not have a definitive term and can be suspended or terminated pursuant to the terms of the agreement.
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Fees and Pricing	The pricing of our digital payment services is based on the type of service utilized. Please see “– Our Solutions – Digital Payment Services” for details of our pricing by service type. We are entitled to adjust the service fees charged from time to time with prior notice on our website and principal place of business.
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Record and Confidentiality	Our customers may contact the customer service to inquire about the transaction data. If our customers have any disagreements, the transaction records in the bank statements shall prevail.
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We record and report all transaction records periodically to our customers for inquiry and verification purposes.

We will collect and store our customers’ personal as well as transaction data and information for provision of our services. We will utilize our best efforts to protect the security and privacy of such data and information collected. However, we are entitled to provide such data and information to our business partners for the provision of our services.

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Scope of Liability

Our customers are required to indemnify and hold us harmless for their breach of the terms of service, improper usage of our services, violations of applicable laws and regulations, and claims from third parties due to reasons not related to us.

We are not liable for service failure caused by (i) system downtime for maintenance we notified in advance, (ii) delays, interruptions, or failures in transmission due to telecommunications errors or force majeure factors, or (iii) inability to continue to perform the agreements according to laws, regulations, or government policies.

We are only responsible for liabilities specified in the agreement, such as failures of (i) the system upgrade and maintenance; (ii) fund security and timely settlement; (iii) response to transaction record inquiry; (iv) risk assessment and inspection and (v) providing service support and basic training. We will only process our customers' accounts per our customers' instructions and will not engage in any prepayments, advances, deposits, overdrafts or other financing services.

Our customers shall assume the risks associated with the underlying transaction, including but not limited to fraud, counterfeit cards, stolen cards, money laundering, embezzlement, misappropriation, misappropriation of funds.

We will not provide any form of guarantee for our services.

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Suspension and Termination

We are entitled to unilaterally terminate our services, freeze customers' funds, and report to relevant regulatory authorities in the event that (i) we notice that customers conduct suspicious or illegal transactions, or commit any acts that are considered as illegal or dishonest use of accounts and personal data, (ii) we believe that customers may be engaging in fraudulent or other illegal activities, (iii) customers are placed on a regulatory blacklist, subject to investigation or penalties due to violation of applicable laws or regulations, (iv) we suspect that the identity information and related materials customers provided are incorrect, untrue, outdated, or incomplete, (v) customers fail to rectify certain material defects in their business operations, or (vi) we believe that customers have breached the agreements or otherwise damaged our interests or reputation.

Any liability arising from any illegal transactions shall be borne by the customer save where such illegal transactions are caused by us.

Notice Delivery

Notice published on our website or delivered to the address or emails of our customers on our records will constitute delivery. Notice is deemed delivered (i) within 24 hours if we publish the notice on our website or send emails to accounts in our records; (ii) within three (3) days when we send our notice through postal mail. If our customers need to change notice delivery address, they shall notify us in writing in advance.

Amendments and Modifications

We are entitled to unilaterally revise or amend the service agreement without additional notice if we publish our latest agreements on our websites or send email notifications in advance.

Our customers will be deemed to have read, understood and agreed to the amendments if they continue to use our services.

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Suppliers

Our suppliers primarily include commercial banks, clearing institutions that charge the Company processing fees, and channel partners that charge the Company service charges.

For the years ended December 31, 2020, 2021, 2022 and for the nine months ended September 30, 2023, the aggregate purchases from our top five suppliers in each year of the Track Record Period amounted to RMB105.6 million, RMB114.9 million, RMB122.1 million and RMB154.2 million, which accounted for 62.8%, 68.6%, 53.0% and 56.6% of our total purchases, respectively. For the same periods, purchases from our largest supplier amounted to RMB28.8 million, RMB38.0 million, RMB44.9 million and RMB59.1 million, which accounted for 17.1%, 22.7%, 19.5% and 21.7% of our total purchases, respectively. The following tables set out details of our five largest suppliers in each year/period of the Track Record Period:

Rank	Suppliers	Type of Products and Services Provided	Principal Business	Approximate Years of Business Relationship as of the Latest Practicable Date	Purchase Amount	% of Our Total Purchase
<i>(RMB in thousands)</i>						
<i>Year ended December 31, 2020</i>						
1	Supplier A	Settlement and clearing services	A commercial bank in the financial industry established in Shanghai 2007 with a registered share capital of RMB3.97 billion and a revenue of RMB5.62 billion in 2022	6 years	28,805	17.14%
2	Supplier B	Settlement and clearing services	A commercial bank in the financial industry, a listed company on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, established in Beijing with a registered share capital of RMB356.41 billion and a revenue of RMB917.99 billion in 2022	6 years	24,655	14.67%

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Rank	Suppliers	Type of Products and Services Provided	Principal Business	Approximate Years of Business Relationship as of the Latest Practicable Date	Purchase Amount	% of Our Total Purchase
					<i>(RMB in thousands)</i>	
3	Supplier C	Settlement and clearing services	A state owned clearing agency in financial industry, established in Shanghai with a registered share capital of RMB2.93 billion	10 years	19,888	11.84%
4	Supplier D	Settlement and clearing services	A commercial bank in the financial industry, a listed company on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, established in Beijing with a registered share capital of RMB349.98 billion and a revenue of RMB724.87 billion in 2022	10 years	16,872	10.04%
5	Supplier E	Settlement and clearing services	A commercial bank in the financial industry, a listed company on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, established in Beijing with a registered share capital of RMB250.01 billion and a revenue of RMB822.47 billion in 2022	7 years	15,373	9.15%

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Rank	Suppliers	Type of Products and Services Provided	Principal Business	Approximate Years of Business Relationship as of the Latest Practicable Date	Purchase Amount	% of Our Total Purchase
<i>(RMB in thousands)</i>						
<i>Year ended December 31, 2021</i>						
1	Supplier A	Settlement and clearing services	A commercial bank in the financial industry established in Shanghai 2007 with a registered share capital of RMB3.97 billion and a revenue of RMB5.62 billion in 2022	6 years	37,961	22.67%
2	Supplier C	Settlement and clearing services	A state owned clearing agency in financial industry, established in Shanghai with a registered share capital of RMB2.93 billion	10 years	36,612	21.86%
3	Supplier E	Settlement and clearing services	A commercial bank in the financial industry, a listed company on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, established in Beijing with a registered share capital of RMB250.01 billion and a revenue of RMB822.47 billion in 2022	7 years	18,914	11.29%
4	Supplier B	Settlement and clearing services	A commercial bank in the financial industry, a listed company on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, established in Beijing with a registered share capital of RMB356.41 billion and a revenue of RMB917.99 billion in 2022	6 years	11,676	6.97%
5	Supplier D	Settlement and clearing services	A commercial bank in the financial industry, a listed company on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, established in Beijing with a registered share capital of RMB349.98 billion and a revenue of RMB724.87 billion in 2022	10 years	9,696	5.79%

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Rank	Suppliers	Type of Products and Services Provided	Principal Business	Approximate Years of Business Relationship as of the Latest Practicable Date	Purchase Amount	% of Our Total Purchase
<i>(RMB in thousands)</i>						
<i>Year ended December 31, 2022</i>						
1	Supplier A	Settlement and clearing services	A commercial bank in the financial industry established in Shanghai 2007 with a registered share capital of RMB3.97 billion and a revenue of RMB5.62 billion in 2022	6 years	44,912	19.49%
2	Supplier C	Settlement and clearing services	A state owned clearing agency in financial industry, established in Shanghai with a registered share capital of RMB2.93 billion	10 years	41,667	18.08%
3	Supplier E	Settlement and clearing services	A commercial bank in the financial industry, a listed company on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, established in Beijing with a registered share capital of RMB250.01 billion and a revenue of RMB822.47 billion in 2022	7 years	14,996	6.51%
4	Supplier F	Channel partner with marketing services, including online promotion	A privately owned digital payment platform in software and IT service industry, established in Beijing with a registered share capital of RMB2.24 million	1 year	11,160	4.84%
5	Supplier G	Channel partner with marketing services, including online promotion	A privately owned business consulting company in commercial service industry, established in Shanghai with a registered share capital of RMB10.00 million	1 year	9,343	4.05%

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Rank	Suppliers	Type of Products and Services Provided	Principal Business	Approximate Years of Business Relationship as of the Latest Practicable Date	Purchase Amount	% of Our Total Purchase
<i>(RMB in thousands)</i>						
<i>For nine months ended September 30, 2023</i>						
1	Supplier A	Settlement and clearing services	A commercial bank in the financial industry established in Shanghai 2007 with a registered share capital of RMB3.97 billion and a revenue of RMB5.62 billion in 2022	6 years	59,089	21.67%
2	Supplier H	Channel partner with marketing services, including online promotion	A privately owned media technology company in software and IT services industry, established in Shenzhen with a registered share capital of RMB1 million	2 years	39,987	14.67%
3	Supplier C	Settlement and clearing services	A state owned clearing agency in financial industry, established in Shanghai with a registered share capital of RMB9.96 billion	10 years	27,872	10.22%
4	Supplier J	Channel partner	A privately owned company focusing on software and IT services industry, established in Shanghai 2018, with a registered capital RMB10 million	3 years	14,299	5.24%
5	Supplier E	Settlement and clearing services	A commercial bank in the financial industry, a listed company on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, established in Beijing with a registered share capital of RMB250.01 billion and a revenue of RMB822.47 billion in 2022	7 years	12,933	4.74%

During the Track Record Period, we have not experienced any significant fluctuation in prices set by our suppliers or material breach of contract on the part of our suppliers. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

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Channel Partners

We leverage channel partners’ marketing and promotion capabilities and large customer bases to reach more potential customers for our digital payment solutions. We pay service charges to channel partners for promoting our services and acquiring new customers. We enter into service agreements with channel partners on non-exclusive basis. The key terms of the service agreements generally include service scope and fees, each party’s obligations and rights, and termination clauses. According to the service agreements, channel partners are mainly responsible for helping us reach and acquire customers in designated geographic areas or industries, including promoting and advertising our services, expanding our market and industry coverage, and recommending their platform customers to use our services. We pay our channel partners commissions primarily based on the TPV generated through their services. We utilize channel partners’ services to help our customers access traffic data and other marketing resources. For instance, as part of our digital marketing solutions provided to commercial banks, channel partners referred various fund and trading companies to us. Leveraging our industry insights in digital payment services, we help our commercial banks explore diversified and innovative ways to address the need of fund and trading companies. If such fund and trading companies ultimately become new clients of commercial banks, the commercial banks will pay us service fees based on a percentage of TPV transacted of such new clients. We will then pay our channel partners a percentage of such TPV transacted for their referrals. We cooperate with such channel partners for their industry insights and connections. In most cases, the channel partners are participants of the respective industries with business collaboration, strategic alliance, and connections with various industry participants. For details, see “– Value-added Services – Business Services – Digital Marketing.” During the Track Record Period, all of our channel partners are independent third parties. The term of the service agreements is typically one year and will not be automatically extended upon expiration. We from time to time evaluate our channel partners’ performance and review their qualifications and reputations in accordance with relevant laws and regulations and industry practices. We may terminate the agreements and seek remedies against channel partners if they engage in activities, including but not limited to, (i) utilizing our platform for any illegal purpose or engaging in any transactions that violate the laws, regulations, and relevant provisions of respective countries or regions, (ii) disclosing our customers’ information to any third party, and (iii) involving in any misconduct resulting in leakage, manipulation or destruction of customers’ information or transaction data.

CUSTOMER SERVICES

We believe our superior customer services optimize service quality and enhance customer loyalty and brand image. Our customer service team are committed to delivering high-quality and efficient service to our customers around the world. Our broad range of support includes customer care, account and e-wallet service, customer approvals, payment review and approvals, risk management, card operations, customer implementations and configuration management. We promptly address inquiries and complaints, collaborating with other departments to provide effective solutions. We analyze the customer service needs by leveraging our wealth of industry insight, which enables us to promptly, and sometimes proactively, address their concerns. Customers can submit questions or complaints directly

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through our websites, emails and social media or by calling our customer service hotlines, and we are able to respond in multiple languages across various channels. We also use customer service robots to efficiently process customers’ complaints and inquiries on a 24/7 basis. Our customer complaints are generally routine complaints, mainly involving the understanding and application of service rules and procedures and the verification of transactions for deducting funds in the ordinary course of business. During the Track Record Period and up to the Latest Practicable Date, we had not received any material customer complaints. We have internal control measures to handle customer complaints, including (i) recording and assigning all customer requests, inquiries or complaints to a specific case reference, (ii) arranging customer service personnel to handle cases assigned to them and follow up until cases are closed or resolved to our customer’s satisfaction, and (iii) integrating customers’ feedback into our decision-making process. Through our dedicated customer services, we believe we are able to truly cover the world for our customers, ensuring no matter where they come from or where they do business, we can help make global business local for them.

We have received and resolved 1,359, 1,671, 1,509 and 1,041 customer complaints in 2020, 2021 and 2022 and the nine months ended September 30, 2023, respectively, all of which were routine complaints primarily relating to the understanding and application of service rules and procedures as well as the verification of transactions for deducting funds in the ordinary course of business. All of such complaints were handled in accordance with our internal procedures and did not result in any material adverse effect on our business operation and financial condition.

COMPETITION

The digital payment solution industry is competitive and evolving. We face intense competition in the PRC and internationally. In the PRC, we primarily compete with payment service providers and technology-focused digital solution providers who offer digitalization services. According to Frost & Sullivan, there are more than 190 third-party payment providers that have obtained payment business licenses from the PBOC, of which more than 100 third-party payment providers have payment business licenses for digital payment business and more than 30 third-party payment providers have received approval for cross-border foreign exchange payment business pilot issued by the SAFE. Meanwhile, internationally, we also compete with other parties who provide cross-border and local digital payment solutions. We believe our principal competitive advantages primarily include our global business supported by global license layout, technology capabilities and integrated solutions. Some of our competitors have a longer operating history, broader global footprint, higher market recognition and degree of acceptance, and stronger R&D capabilities than us. See “Risk Factors – Risks Relating to Our Business and Industry – Substantial and increasingly intense competition may harm our business. If we are unable to compete effectively, our business, financial condition, results of operations and prospects would be materially and adversely affected” in this Document. In addition, this industry is affected by changes in government regulations and policies. If we are unable to adopt or comply with such changes, we may not be able to compete effectively. See “Industry Overview” for more details of the competitive landscape of each relevant market regarding our products and services.

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RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We uphold a “compliance-first” principle and strive to become a digital payment solution provider with strong risk management competencies. We are exposed to a variety of 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 focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. We have established robust, comprehensive and technology-driven risk management to effectively manage and mitigate risks inherent in our business to protect us, our clients and our partners, as well as to meet regulatory obligations.

We employ a comprehensive “three lines of defense” model for risk management. The first line of defense is from our operational departments, which hold primary responsibility for managing risks associated with their respective business activities. The second line of defense comprises our specialized risk management departments. These departments provide strategic guidance and support, helping related divisions to establish and execute robust risk management procedures. They also monitor the effectiveness of these procedures and contribute to critical risk-related decision-making. Our internal audit department acts as the auditor and constitutes the third line of defense. Its role involves supervising the overall risk management system, evaluating risks related to the company’s governance structure and conducting regular inspections in crucial areas. Leveraging this risk management framework, we aim to ensure the effective and continual management of all types of risks across the company. Our risk management covers the entire transaction procedure:

- **Precautionary Measures** – Prior to establishing business relations with merchants and enterprises, we implement on-boarding procedures including the financial due diligence. For key merchants and enterprises, we have dedicated auditors who conduct interview or on-site visit to verify identities and ascertain the authenticity of their business operations. We employ a combination of automated verification and manual review measures to evaluate the creditworthiness, business continuity and authenticity of merchants’ and enterprises’ business activities. This ultimately assists us in clarifying potential risks during the on-boarding stage and helps in the elimination of abnormal merchants and enterprises. We will also require certain merchants to reserve a proportion of risk margin to prevent any bankruptcy or lack of sufficient funds scenario under the results of our financial due diligence and risk assessment. We may face potential losses due to the charge-back requests from end-buyers in the event that our merchants go bankrupt or dissolve. Therefore, in addition to the on-boarding procedures, we require clients to reserve client risk deposits to cover our potential losses from the charge-back requests from end-buyers. During the Track Record Period and up to the Latest Practicable Date, we have not received any charge-back request from end-buyers or incurred any losses as a result of charge-back requests.

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- **Ongoing Monitoring** – We employ corresponding monitoring mechanisms to detect unlawful activities during the operational phase and evaluate the creditworthiness of our merchant customers. We are committed to long-term efforts in identifying common characteristics of illicit merchants in various activities such as fund transfers. Our Risk Management System and AML System leverage data-driven analytics and machine learning algorithms to establish over a thousand rule-based models (e.g., customer risk rating models) and cover over a hundred risk scenarios (e.g., large or suspicious transactions). Based on a vast amount of transaction data and risk lists, these systems perform correlational analysis and real-time evaluation on each transaction, identifying and intercepting risky transactions within milliseconds. Additionally, we offer facial recognition capabilities to verify the authenticity of merchants during the onboarding process. We accumulate and adjust models for recognizing illicit merchants and abnormal behaviors, enabling timely and accurate identification and management of related risks.
- **Post-Event Review and Improvement** – Following any identified risk events, we conduct comprehensive reviews to enhance our risk prevention strategies. This entails analyzing the incident, identifying the root causes and implementing necessary improvements to prevent similar risks in the future.

In addition, we have adopted the following specific measures to manage our risk management:

Legal and Compliance Risk Management

We have established a framework for compliance risk management, involving our Board of Directors, senior management, and legal and compliance departments, along with various other departments. The departments responsible for compliance and risk management operate independently, free from interference or influence from other departments or individuals. These departments report directly to the Board of Directors and senior management. This system facilitates the creation of comprehensive policies and processes for managing compliance, ensuring continued conformity to all relevant laws and regulations. We have dedicated legal and compliance departments with compliance officers tasked with keeping abreast of updates to laws, regulations and policies. The persons in charge of the legal and compliance departments has extensive experience in legal and regulatory compliance from working in or serving clients in banking and other financial-related industries in China. Our legal and compliance departments promptly identify any significant implications these changes may have on our business operations, and adjust our policies, procedures and compliance standards accordingly. Moreover, they implement a range of compliance and risk management activities and measures to ensure that our legal and compliance risks are kept within an acceptable limit, primarily including: (i) monitoring regulatory changes in the jurisdictions where we have business operations and staying up-to-date with the latest developments in the industry we operate and assessing the potential impact of the changes and developments on our business operations; (ii) maintaining well-defined and up-to-date policies and procedures and provide regular and specific trainings to guide employees on compliance matters; (iii) engaging in

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internal risk assessment before launching new products or services or making significant changes to existing ones; (iv) establishing a system to prepare and submit reports on financial transactions, anti-money laundering measures, fraud prevention, and other regulatory requirements promptly and diligently to regulatory authorities in different jurisdictions; (v) communicating with regulatory authorities in different jurisdictions to seek practicable guidance on compliance matters; and (vi) assisting and overseeing how well each department fulfills their compliance duties to identify potential compliance risks and address risks to ensure in compliance with applicable laws and regulations.

We have comprehensive procedures to monitor our compliance with the key business rules and standards set by the clearing institutions we cooperate with. Such procedures cover every major aspect of the business collaboration between the clearing institutions and us, including clearance network admittance, KYC, ad-hoc compliance review and inquiries, and annual compliance review and information updates. With respect to ad-hoc and annual compliance review and inquiries from the clearing institutions, we will prepare the required information, primarily including corporate information, relevant financial and business information, AML and counter-terrorism financing policies, IT and business system status and other compliance and risk management policies, and respond on time to ensure no suspension of services by clearing institutions and no interruption to our business operation.

In addition, we have implemented a set of measures to ensure our operations comply with applicable anti-bribery and anti-corruption regulations in jurisdictions where we operate, primarily including: (i) establishing the Anti-Corruption and Anti-Bribery Policies, which clearly outlines our commitment to combat corruption, and defines related principles, rules, and responsibilities for all departments and employees; (ii) providing mandatory trainings about our Anti-Corruption and Anti-Bribery Policies to new joiners within three months of on-boarding, and annual anti-corruption and anti-bribery training about the updates of relevant laws and regulations; (iii) implementing anti-corruption measures relating to our third-party partners, e.g., conducting anti-corruption diligence questionnaires and incorporating anti-corruption clauses in contracts to reserve our right to terminate the partnership immediately and seek restitution for any losses caused by third-party partner who engages in bribery or corruption; (iv) requesting employees to report, if they are aware of any partner institutions or individuals making requests for benefits that may involve corruption; and (v) conducting risk assessments and audits by our internal audit to evaluate the implementation of anti-corruption and anti-bribery measures to ensure strict compliance with our policies.

Partner Financial Institutions Risk Management

We have established comprehensive systems and policies to manage risks together with our partner financial institutions such as banks. Our risk management team regularly monitors our collaboration with partner financial institutions. Prior to formal engagement, we thoroughly assess the financial institution's suitability across a range of objective metrics.

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Once a formal business relationship is established, we monitor the relationship on an ongoing basis. In addition to ongoing monitoring, we conduct reviews on all of our partner financial institutions and adjust our risk management policies based on external factors and market developments.

Financial Reporting Risk Management

We have established a set of accounting policies in connection with our financial reporting risk management, which covers budget management, treasury management, financial statements preparation and staff management. We have procedures and IT systems in place to facilitate the implementation of our accounting policies and review of our management accounts. We also provide regular training to our finance department employees to ensure that they are kept up-to-date with our financial management and accounting policies.

Internal Control

To ensure strict compliance of our business operations with applicable rules and regulations, we have designed and adopted a set of comprehensive internal control policies. The implementation of such policies is overseen by our internal control team, which is also responsible for (i) performing group-level risk assessments, (ii) providing advice on risk management practice and (iii) establishing authorization and approval protocols.

Client Reserve Funds

We strictly distinguish client reserve funds from our own funds, and open client reserve fund accounts with the PBOC and other institutions recognized by regulatory agencies. All client reserve funds will be deposited directly into such reserve accounts to ensure its safety. We have developed dedicated settlement management software and systems to monitor and report the status of such reserves, established a continuous reconciliation mechanism with PBOC and other institutions, regularly reported the status of client reserve funds to regulatory agencies, and provided to our customers account movement and balance checking services to ensure the transparency, accuracy and compliance with the relevant laws and regulations. Our PRC Legal Advisor has confirmed that, during the Track Record Period and up to the Latest Practicable Date, we are compliant with the provisions of Depository Measures for Clients’ Provisions of Non-bank Payment Institutions in respect of clients’ provisions account opening and account management, clients’ provisions storage and management, use and transfer of clients’ provisions, and prevention of misappropriation, occupation and borrowing of clients’ provisions.

BUSINESS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Overview

We are committed to promoting corporate social responsibility and sustainable development and integrating it into all major aspects of our business operations. Accordingly, our Board of Directors has adopted a comprehensive policy on environmental, social and corporate governance, or ESG, responsibilities (the “**ESG Policy**”) in accordance with the standards of Appendix C2 to the Listing Rules, which outlined, among others, (i) the appropriate risk governance on ESG matters, including climate-related risks and opportunities, (ii) ESG strategy formation procedures, (iii) ESG risk management and monitoring, (iv) the identification of key performance indicators (“**KPIs**”) and (v) the relevant measurements and mitigating measures.

Our ESG Policy also sets out different parties’ respective responsibilities and authority in managing ESG matters. Our Board has overall responsibility for overseeing and determining our environmental, social, and climate-related risks and opportunities impacting us, establishing and adopting the ESG Policy and targets of us, and reviewing our performance annually against the ESG targets and revising the ESG strategies as appropriate if significant variance from the target is identified. Our Board has established an ESG working group that comprises five members, including managements of relevant ESG departments. The ESG working group serves a supportive role to our Board in implementing the agreed ESG Policy, targets and strategies; conducting materiality assessments of environmental-related, climate-related and social-related risks and assessing how we adapt its business in light of climate change; collecting ESG data from different parties while preparing for the ESG report; and continuous monitoring of the implementation of measures to address our Group’s ESG-related risks. The ESG working group has to report to our Board on a semi-annual basis on the ESG performance of us and the effectiveness of the ESG systems.

Our PRC Legal Advisors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material claim or penalty in relation to health, work safety, social and environmental protection, had not been involved in any accident or fatality and had been in compliance with the relevant PRC laws and regulations in all material aspects.

Benefits and Welfare

We strive to offer competitive salaries to attract and retain employees. Our comprehensive benefits package includes the mandatory social insurance schemes with additional commercial insurance. In addition, we provide meal allowances, communication allowances, transportation allowances, annual medical checkups and other welfare benefits, ensuring a holistic approach to employee well-being.

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To further support professional development, we also engage in external training programs and procure training resources relevant to specific job roles. This includes inviting external instructors, which is considered one of the company’s welfare benefits. By providing opportunities for continuous learning and growth, we aim to enhance employee skills and knowledge, promoting their professional advancement within the organization.

We will also focus on embracing diversity within our organization and equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development. While maximizing equal career opportunity for everyone, we will also continue to promote work-life balance and create a pleasant workplace for all of our employees.

Workplace Safety

We have adopted and maintained a series of rules, standard operating procedures, and measures to maintain our employees’ healthy and safe environment. We implement safety guidelines to set out information about potential safety hazards. We require new employees to participate in safety training to familiarize themselves with the relevant safety rules and procedures. Also, we have policies in place and have adopted relevant measures to ensure the hygiene of our work environment and the health of our employees. As we do not operate any production facilities, we are not subject to significant health, work safety, social or environmental risks. To ensure compliance with applicable laws and regulations, our human resources department would, if necessary and after consultation with our legal advisors, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations.

Potential Impacts of ESG-related Risks

Our core business is digital payment services. We are not involved in any manufacturing activities or construction projects, and thus no material generation of emissions and wastes and no heavy pollutions. Nonetheless, we monitor environmental and climate-related risks that may impact on our business, strategy and financial performance and evaluate the magnitude of the resulting impact over the short-, medium- and long-term horizons.

Strategies in Addressing ESG-related Risks

Climate-related issues are among our key agenda. Supervised by our Board, we actively identify and monitor the climate-related risks and opportunities over the short, medium and long term, and we seek to incorporate such climate-related issues into our businesses, strategy and financial planning.

BUSINESS

We have also implemented internal policies to reduce our carbon footprint, such as reducing the energy and water consumption through:

- (i) Installing energy efficient lighting and ensuring lights are switched off when out of use either manually or through automatic sensors;
- (ii) Switching off certain IT equipment or automatic power shutdown for certain systems and devices in off-seasons;
- (iii) Controlling the use of air conditioning with measures including requirements on lowest temperature, regular maintenance of air cooling technologies and optimal timing controls; and
- (iv) Posting slogans on saving water in our office, calling on employees to practice water conservation in their daily life.

We also promote a paperless office in our Group. We encourage employees to use online office tools for daily documentation and meetings. We also require double-sided printing if hard copies of documents are necessary.

Climate Risks Relating to IT Infrastructures

We have utilized two local data centers and a cloud-based data center. Server farms and data centers maintaining these IT infrastructures have significant impact on the environment due to their high energy consumption and carbon emissions. These facilities consume large amounts of electricity to power servers, cooling systems, and other equipment, leading to increased demand for energy from power plants, many of which rely on fossil fuels. The production of electricity from fossil fuels such as coal and natural gas results in the release of greenhouse gases, primarily carbon dioxide, which contribute to global warming and climate change. In addition, the cooling systems used in data centers often rely on refrigerants that can be harmful to the ozone layer and contribute to global warming.

Since our business operations rely on these IT infrastructures, we may be exposed to several climate risks, including:

- *Energy price volatility.* As the demand for energy increases, the cost of energy can become more volatile, leading to potential price increases that could impact the operating costs of server farms and data centers and ultimately, the prices charged by server custody and/or cloud services provided to us.
- *Physical risks from extreme weather events.* Server farms and data centers may be vulnerable to physical risks such as floods, hurricanes and wildfires, which can damage critical infrastructure, disrupt services, and result in downtime for customers.

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- *Regulatory risks.* Governments and regulatory bodies are increasingly taking action to address climate change, which could result in new regulations and policies that impact the operations of server farms and data centers.
- *Reputation risks.* Customers and stakeholders are becoming more aware of the environmental impact of server farms and data centers and may choose to avoid companies that are perceived to have a negative impact on the environment.

To mitigate climate risks, we prioritize energy efficiency when selecting service vendors and partner with data centers and cloud service providers that implement sustainable practices and are committed to reducing their carbon footprint.

We monitor the following indicators to assess and manage our environmental and climate-related risks arising from our business operations.

- **Power consumption.** We regularly monitor our electricity consumption levels and implement measures to improve energy efficiency. For 2020, 2021 and 2022 and the nine months ended September 30, 2023, our electricity consumption levels were 3,454.5 MWh, 3,510.2 MWh, 3,614.8 MWh and 2,238.3 MWh, respectively;
- **Water consumption.** We regularly monitor our water consumption levels and implement measures to promote water conservation. For 2020, 2021 and 2022 and the nine months ended September 30, 2023, our water consumption levels were 36,552.8 tons, 47,642.1 tons, 51,953.0 tons and 30,741.1 tons, respectively; and
- **Emission of greenhouse gasses.** We regularly monitor the level of greenhouse gas (“GHG”) emissions. For 2020, 2021 and 2022 and the nine months ended September 30, 2023, our greenhouse gas emissions (scope 2) were approximately 2,107.6 tonnes of CO₂-e, 2,141.6 tonnes of CO₂-e, 2,205.4 tonnes of CO₂-e and 1,365.6 tonnes of CO₂-e, respectively.

The ESG working committee of the Company sets targets for each material key performance indicator at the beginning of each financial year in accordance with the disclosure requirements under Appendix C2 of the Listing Rules and any other relevant rules and regulations after [REDACTED] which outlines, among other things, (i) establishment of a green management system; (ii) strict rules on waste disposal; (iii) resources efficiency; and (iv) responses to climate change. Relevant targets of the material key performance indicators will be reviewed annually to ensure that they are still suitable for our needs.

We are committed to promoting a low-carbon office and low-carbon travel, and introducing a number of measures including (i) low-carbon use of electric lights and electrical equipment; (ii) low-carbon use of ventilation equipment and air conditioners; (iii) water saving; (iv) paperless office; (v) recycling and reuse of office supplies; (vi) improving the working environment in the office; (vii) green travel; (viii) purchasing environmentally friendly products; and (ix) cherishing food and avoiding food wastage.

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As our core business is digital payment service, we will only produce the scope 2 emissions under Listing Rules. During the Track Record Period, the total amount of GHG emissions (scope 2) were 7,820.2 tonnes of CO₂-e. In the future, we will continue to advocate for a low-carbon office and low-carbon travel and introduce other measures to reduce greenhouse gas emissions.

Metrics and Targets

Our Board will set targets for each material KPI at the beginning of each financial year in accordance with the disclosure requirements of Appendix C2 to the Listing Rules and other relevant rules and regulations upon [REDACTED]. The relevant targets on material KPIs will be reviewed on an annual basis to ensure that they remain appropriate to the needs of our Group. In setting targets for the KPIs, we have taken into account their respective historical levels and have considered our future business expansion thoroughly and prudently with a view of balancing business growth and environmental protection to achieve sustainable development.

We consume energy and water to support our daily business operations, primarily including office facilities. We evaluate our energy and water usage level using the metric of annual power usage and annual water usage, respectively. In 2022, the annual power and water usage of our office facilities in Hangzhou headquarter was 3.6 million kWh and 51,953 m³, respectively. We endeavor to proactively conserve energy and water through various measures as described above. We also raise energy and water conservation awareness of our employees during our trainings. We intend to continue our efforts to reduce the level of our power and water usage in the future.

Scope 3 Emissions from Third-party Server Services

We utilize an increasing amount of cloud server and data center services from service vendors and partners to operate. Energy consumption becomes a major component of the environmental footprint of a data center. Emissions from suppliers, such as our service vendors and partners, are counted as scope 3 emissions in ESG disclosures, which tends to be reported voluntarily to avoid double counting. To mitigate our indirect impact through our service vendors and partners, we plan to strengthen our ESG practices and actively research the carbon footprint of our third-party service providers and enlist environmental protection capability as one of our assessment elements when evaluating such service providers to ensure that our service vendors and partners are fully competent in carrying out sustainable operations and exerts continuous effort to minimize environmental impact. When screening server service providers in the future, low carbon will be our top priority criteria with evaluation metrics emphasizing environmental impact, energy and resource utilization, use of renewable energy and other innovative means for producing a smaller carbon footprint.

BUSINESS

Anti-money Laundering and Counter-terrorism

In order to ensure our operations comply with applicable AML regulations in jurisdictions where we operate, we have put in place comprehensive AML policies and procedures. Our AML policies cover specific roles and responsibilities for managing risks related to AML, counter-terrorism financing, financial crimes and sanctions compliance. Based on these policies, we have set in place procedures that include “know your customer” procedures, transaction monitoring, reporting of suspicious transactions and record retention. In the course of our above due diligence procedures, we engage in a comprehensive investigation of prospective enterprise or merchant customers, coupled with ongoing surveillance of their operational status. This involves not merely a verification of basic registration particulars but may also extend to rigorous on-site evaluations at their business premises. Our inquiries are particularly focused on ascertaining the legitimacy of their funding sources, scrutinizing their supplier networks, and assessing their logistical arrangements, all with the aim of corroborating the genuineness of their trading activities. Collaboration with potential enterprise or merchant customers is conditionally approved only after they successfully navigate this multi-tiered vetting process, as determined by our dedicated compliance team. To facilitate continuous oversight, we have instituted systems that trigger immediate review protocols. Triggering factors include but are not limited to changes in a corporate status, impending expiration of license, engagement in large or suspicious transactions, and other events indicative of potential risk. We also leverage technology to improve the efficiency of the operation of AML procedures. To ensure our employees are kept up-to-date with regulatory updates and our AML policies and procedures, we provide regular training to our employees.

INTELLECTUAL PROPERTY

Intellectual property rights are critical to our business. We rely primarily on a combination of patents, copyrights, trademarks, domain names and trade secrets, as well as employee and third-party nondisclosure, confidentiality and other types of contractual arrangements to protect our intellectual property rights.

As of September 30, 2023, we owned 251 trademarks, 36 patents, 262 registered domain names and 97 software copyrights in various categories in the PRC. As of September 30, 2023, we had filed one trademark applications in the PRC and 23 trademark applications in overseas jurisdictions. We also intend to pursue additional intellectual property protections in markets where we operate, to the extent we believe it would be beneficial and cost-effective.

See “Appendix VIII – Statutory and General Information – Further Information about Our Business – Intellectual Property Rights” for details of our material intellectual property rights.

We intend to protect our technology and proprietary rights vigorously, but there can be no assurance that our efforts will be successful. During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes or any other pending legal proceedings regarding intellectual property rights with third parties.

BUSINESS

EMPLOYEES

As of December 31, 2020, 2021, 2022 and September 30, 2023 we had a total of 697, 861, 1,007 and 896 employees, respectively. As of September 30, 2023, 92.5% of our employees were based in China and 7.5% were based overseas, primarily in Southeast Asia and the United States.

The following table sets forth a breakdown of our employees categorized by function as of September 30, 2023.

Function	Number	% of total
Research and development	321	35.8%
Sales and marketing	296	33.0%
General and administration	279	31.2%
Total	896	100.0%

Our success depends on our ability to attract, retain and motivate qualified personnel, and we believe that our high-quality talent pool is one of the core strengths of our Company. We adopt high standards and strict procedures in our recruitment, including campus recruitment, online recruitment, internal recommendation and recruitment through executive search, to meet the needs of our Company. We enter into standard contracts and agreements regarding confidentiality, intellectual property, employment, commercial ethics and noncompetition with all of our executive officers and the vast majority of our employees. We enter into standard employment contracts and confidentiality agreements with our employees. We also enter into noncompetition agreements with certain key employees. We place great emphasis on providing our employees with platforms and opportunities for self-improvement. We provide regular and specialized training tailored to the needs of our employees in different departments. We have also launched an online learning platform to complement our existing offline training initiatives. In addition to our internal training programs, we also engage external trainers. All training sessions are conducted periodically and in stages to ensure our employees’ continuous learning and development.

As required by PRC laws and regulations, we participate in various employee social security schemes organized by municipal and provincial government, including pension, maternity insurance, unemployment insurance, work-related injury insurance, health insurance and housing provident fund. As of September 30, 2023, we established labor unions in China, which may represent employees for the purpose of collective bargaining. We believe that we maintain a good working relationship with our employees, and we have not experienced any material labor dispute or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

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INSURANCE

We have obtained insurance to cover certain potential risks and liabilities, such as property damage insurance, directors and officers insurance, employer liability insurance, public liabilities for business premises, information technology professional liability insurance, cyberedge insurance for network interruption, electronic data restoration, among others. During the Track Record Period, we did not make any material insurance claims in relation to our business. Our employee-related insurance consists of pension insurance, maternity insurance, unemployment insurance, work-related injury insurance, medical insurance and housing funds, as required by PRC laws and regulations. We also purchase supplemental commercial medical insurance and accident insurance for our employees. We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by PRC laws and regulations and in accordance with the commercial practices in our industry. However, our insurance policies are subject to standard deductibles, exclusions and limitations. As a result, our insurance policies may not be able to cover all of our losses and we cannot provide any assurance that we will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, our insurance policies. See “Risk Factors – Risks Related to Our Business and Industry – We may not have sufficient insurance coverage to cover our business risks” in this Document.

PROPERTIES

Owned Properties

Our headquarters are located in Lianlian Tower at No. 79 Yueda Lane, Changhe Street, Binjiang District, Hangzhou, Zhejiang Province. We hold legal title to Lianlian Tower, which is used as office space for our company and affiliates and for leasing to other tenants. Lianlian Tower has a total area of 56,394.6 square meters.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, or JLL, an independent property valuer, valued our property interests as of November 30, 2023 and is of the opinion that the aggregate value of our property interests as of such date was RMB275.6 million. The letter and summary disclosure of property valuation with regard to such property interests are set out in Appendix IV to this Document.

Leased Properties

As of the Latest Practicable Date, we leased six properties in the PRC with an aggregate GFA of 1,875 square meters and 16 properties overseas with an aggregate GFA of approximately 2,042 square meters, which are used as office space.

We believe our current facilities are sufficient to meet our near-term needs, and additional space can be obtained on commercially reasonable terms to meet our future needs. We do not anticipate undue difficulty in renewing our leases upon their expiration.

BUSINESS

LICENSES AND PERMITS

We are required by relevant laws and regulations to obtain and maintain various licenses and permits in order to operate our business in the PRC and globally. As of December 31, 2023, we had built a license portfolio of 64 payment licenses and relevant qualifications that cover our seven material markets including Mainland China, Hong Kong, Singapore, the United States, the United Kingdom, Thailand and Indonesia. For more details regarding the laws and regulations to which we are subject, please see “Regulatory Overview” in this Document. During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses and permits that are material to our operations from the relevant regulatory authorities in the jurisdiction in which we operate.

The following table sets out a full list of license portfolio of 64 payment licenses and relevant qualifications:

License/Permit	Entity	Country/ Region	Expiration Date	Description	Related Service Offering
Payment License (中華人民共和國支付業務許可證)	Lianlian Yintong Electronic Payment Co., Ltd.	PRC	8/28/2026	License for providing (1) internet payment and (2) mobile phone payment services in China	Pay-in, pay-out and acquiring services
E-commerce Cross-border RMB Settlement License (電子商務跨境 人民幣結算業務備案) ⁽¹⁾	Lianlian Yintong Electronic Payment Co., Ltd.	PRC	N/A	License for providing cross-border RMB settlement service in China	Pay-in and pay- out services
SAFE Authorized Foreign Exchange Payment Institution (國家外匯管 理局支付機構外匯業務 許可)	Lianlian Yintong Electronic Payment Co., Ltd.	PRC	12/30/2024	License for providing cross-border foreign exchange service in China	Pay-in, pay-out and foreign exchange services
SAFE Pilot Program for Foreign Exchange Payment (國家外匯管理 局跨境外匯支付試點)	Lianlian Yintong Electronic Payment Co., Ltd.	PRC	N/A	License for providing cross-border foreign exchange service in China	Pay-in, pay-out and foreign exchange services
CSRC Authorized Sales and Settlement of Fund Institution (中國證監會 基金銷售支付結算機構 備案)	Lianlian Yintong Electronic Payment Co., Ltd.	PRC	N/A	License for providing fund payment service in China	Pay-in, pay-out and acquiring services

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<u>License/Permit</u>	<u>Entity</u>	<u>Country/ Region</u>	<u>Expiration Date</u>	<u>Description</u>	<u>Related Service Offering</u>
Bankcard Clearing Business License (中華 人民共和國銀行卡清算 業務許可證)	Express (Hangzhou) Technology Services Company Limited	PRC	N/A	License for providing bankcard clearing service in China	Bank card clearing
Licence for Operating Money Service (香港海 關經營金錢服務的牌照)	LianLian International Company Limited	HK	8/15/2025	License for the operation of a money service	Pay-in, pay-out and foreign exchange services
Licence for Operating Money Service (香港海 關經營金錢服務的牌照)	LITE PAY COMPANY LIMITED	HK	04/05/2025	License for the operation of a money service	Pay-in, pay-out and foreign exchange services
Money Transmitter Licenses ⁽ⁱⁱ⁾	LL Pay U.S., LLC	U.S.	Various	License for operating as (1) a money transmitter, (2) an issuer of traveler’s checks, money orders or stored value, (3) a seller or redeemer of traveler’s checks, money orders or stored value and (4) a currency dealer or exchanger	Pay-in and pay- out services
Authorized Payment Institution (API)	LL Pay UK Limited	UK	N/A	License for providing remittance service in the UK	Pay-in and pay- out services
The Designated Payment Services License (Service of Receiving Electronic Payment – Payment Facilitating Service)	Lianlian Pay Electronics Payment (Thailand) LTD	Thailand	N/A	License for providing bankcard payment service in Thailand	Acquiring services ⁽ⁱⁱⁱ⁾
The Designated Payment Services License (Service of Receiving Electronic Payment – Receiving Payment on Behalf Service)	Lianlian Pay Electronics Payment (Thailand) LTD	Thailand	N/A	License for operating as an authorized dealer in Thailand	Acquiring services ⁽ⁱⁱⁱ⁾

BUSINESS

License/Permit	Entity	Country/ Region	Expiration Date	Description	Related Service Offering
Major Payment Institution	Starlink Financial Technologies Pte. Ltd.	Singapore	N/A	License for providing (1) account issuance, (2) domestic money transfer, (3) cross-border money transfer, (4) merchant acquisition and (5) e-money issuance services in Singapore	Pay-in, pay-out and acquiring services
Fund Transfer Operator License	PT Internasional Sukses Remiten	Indonesia	Indefinite	License for providing payment and data processing service in Indonesia	Pay-in and pay- out services

Notes:

- (i) We hold two E-commerce Cross-border RMB Settlement Licenses, each for a different local branch of PBOC.
- (ii) We hold 50 state-level money transmitter licenses covering 49 states (all states in the U.S. except Montana) and the District of Columbia. The State of Montana does not currently require a money transmitter license. As of the Latest Practicable Date, we were in the process of renewing our money transmitter licenses in the State of Oklahoma and State of Louisiana, respectively. We submitted our renewal requests in December 2023 before the respective license expiration dates and we expect to obtain renewals in the first quarter of 2024 without any material difficulties. Furthermore, according to local laws and regulations, we are able to conduct our services in such two states during renewal periods. As a result, we may conduct our services in all 50 states in the United States and the District of Columbia.
- (iii) We provide pay-in and pay-out services in Thailand based on local regulatory exemptions. As such, we are not required to obtain a particular license for our pay-in and pay-out services in Thailand.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, we had not been a party to, and were not aware of any threat of, any legal, arbitral or administrative proceeding which, in our opinion, would likely have a material and adverse effect on our business, financial condition or results of operations. We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

BUSINESS

Legal Compliance

We primarily operate in China and have been expanding into several other countries and regions where our business is regulated and supervised under different regulatory environments. We are subject to various regulatory requirements and guidelines issued by the regulatory authorities in the jurisdictions in which we operate. We aim to monitor regulatory environments and adopt adequate internal procedures and guidelines to manage our operations in order to avoid potential non-compliance or misconduct. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

AWARDS AND ACHIEVEMENTS

The following table sets forth some of the important accreditations and awards we had received from the relevant authorities and organizations in China as of the Latest Practicable Date:

Award/Recognition	Awarding Authority	Award Year
First Prize for Science and Technology Progress	The People’s Government of Zhejiang Province	2019
Pilot Enterprise of Service Trade in Zhejiang Province	The Commerce Department of Zhejiang Province	2020
National Digital Commerce Enterprise	Ministry of Commerce of PRC	2020
Digital Financial Innovation Demonstration Enterprise	China (Zhejiang) Pilot Free Trade Zone in Hangzhou	2021
The First Batch of Technology Innovation Enterprises in the Manufacturing Industry of Zhejiang Province	The People’s Government of Zhejiang Province	2021
2020 List of Key Awards for the High-Quality Development of Manufacturing Industry in Hangzhou	Hangzhou Municipal People’s Government	2021
2020 Top 100 Digital Trade Enterprises in Zhejiang Province	The People’s Government of Zhejiang Province; The Commerce Department of Zhejiang Province	2021

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Award/Recognition	Awarding Authority	Award Year
Social Service Innovation Achievements in Digital Finance Field	National Internet Finance Association of China; Global Digital Financial Center (Hangzhou)	2022
2021 (21st) Zhejiang Electronic Information 50 Growth Enterprise	Economy and Information Technology Department of Zhejiang Province	2022
“Top Ten” Achievements in the Construction of Zhejiang Pilot Free Trade Zone	China (Zhejiang) Pilot Free Trade Zone	2022
2021 Representative Enterprises and Platforms of Using Digital Technology to Promote New Industry Models	The Development and Reform Commission and the Department of Land and Resources of Zhejiang Province	2022
2022 Top 100 Cross-Border Payment Company	FXC Intelligence	2022
Global Unicorn Index Mid-year 2022	Hurun Report; Guangzhou Municipal Commerce Bureau	2022
2022 Top 100 Enterprises in Global Digital Trade Industry	Forbes China	2022
Global Digital Trade Expo Pioneer Award Bronze Award	The Commerce Department of Zhejiang Province	2022
E-commerce Model Enterprises	Department of E-commerce and Information Technology, Ministry of Commerce of PRC	2023
2022 (22nd) Zhejiang Digital Information 50 Growth Enterprises	Economy and Information Technology Department of Zhejiang Province	2023
2022 Annual Key Project for the High-Quality Development of Digital Trade in Zhejiang Province	The Commerce Department of Zhejiang Province	2023